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The Commonwealth of Massachusetts

BUREAU OF STATISTICS

CHARLES F. GETTEMY, Director

MUNICIPAL BULLETIN No. 1

A UNIFORM CLASSIFICATION

OF

MUNICIPAL RECEIPTS AND PAYMENTS

**PRESCRIBED FOR THE CITIES AND TOWNS OF MASSACHUSETTS AS A
BASIS FOR A STANDARD SYSTEM OF ACCOUNTS AND REPORTS**



JANUARY, 1910

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BUREAU OF STATISTICS

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[EXTRACT FROM CHAPTER 371, ACTS OF 1909.]

SECTION 6. The director of the bureau of statistics shall annually furnish to the auditor or other accounting officer of each city and town in the commonwealth blank forms or schedules so arranged as to provide for uniform returns giving detailed statements of all receipts classified by sources, and all payments classified by objects, for its last fiscal year; a statement of the public debt showing the purpose for which each item of the debt was created and the provision made for the payment thereof; and a statement of assets and liabilities at the close of the fiscal year. The director may prescribe standard forms intended to promote the systematic accounting of financial transactions and the publication of the same in the city and town reports. The director is also authorized to collect from the proper local authorities and to compile and publish such other information pertaining to municipal affairs as in his judgment may be of public interest; and it shall be the duty of all accounting and other officials and custodians of public moneys of cities and towns, of fire, water, and watch districts, so-called, and of districts organized under the provisions of section forty-four of chapter twenty-five of the Revised Laws, to fill out properly and return promptly to the said director all schedules transmitted by him to them.

For a list of the publications of the Bureau see pages 3 and 4 of this cover.

The Commonwealth of Massachusetts

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INTRODUCTION.

"For the last two decades," says Dr. Frederick A. Cleveland, Director of the New York Bureau of Municipal Research, "American cities have been struggling with the problem of administration, and in their struggle have been brought face to face with the need for a change in political organization which will remove the various checks and balances heretofore imposed as a means of insuring official honesty. . . . With the centralization of administrative responsibility, however, efficiency requires that a complete record of transactions be placed in the hands of the mayor, [and, we should say, with reference to the towns of Massachusetts, in the hands of the board of selectmen]. As a means of securing both *economy* and *fidelity*, for the enlightenment of officers and for the satisfaction of citizens and taxpayers, a complete *system* of accounts is demanded which shall be more than a record of receipts and disbursements of the treasury together with such ancillary data as may be collected by means of statistical schedules and special reports. This work cannot successfully be attempted, however, by ignoring the fundamental distinction between revenues and expenses on the one hand and receipts and disbursements on the other."¹

That the proposition of keeping the accounts of municipalities on a revenue and expense basis, if records and reports are to show adequately the relation of service rendered to expense incurred, is sound accounting theory, we assume does not call for argument. It must, nevertheless, be

¹ Chapters on Municipal Administration and Accounting; New York, 1909, Longmans, Green, & Co., p. 173. The distinction referred to between the two classes of accounts is very clearly explained on pages 159-161 of the same work.

admitted that such a method of accounting is not generally understood by either the public or as yet by any considerable number of municipal accountants, in Massachusetts or elsewhere; nor, indeed, can it be said that there is entire agreement as to its practical applicability and significance when carried out consistently and logically in all its aspects.

It should be obvious that comparative statistics based upon cash transactions only, however accurately the data may have been gathered and tabulated, must be used with discrimination and with a due appreciation of their limitations as a basis for comprehensive deductions. For this reason it is earnestly to be hoped that ultimately our Massachusetts cities and towns will appreciate the advantage of keeping their accounts so that revenues and expenses may be ascertained from them and properly correlated; but, under existing circumstances, the problem immediately confronting the Bureau of Statistics has been to take the records of cash transactions in the form in which they have been found and classify them in accordance with certain principles now generally accepted by the foremost students of municipal administration and public accounting problems. To any, therefore, who may be inclined to criticise the scheme of classifications under which our work is being prosecuted, and must be conducted, we surmise, for some time to come, on the ground that it is not devised from a revenue and expense point of view but is limited to a presentation of receipts and payments as such, we can only reply that the whole problem of reforming and systematizing accounting methods for proper statistical purposes is one of evolution, and that a classification of cash transactions must precede the comprehensive development of a uniform system of revenue and expense accounting.

In other words, the books of account commonly in use in our cities and towns, or at any rate the published reports of our auditors and treasurers, do not pretend to exhibit much more than the flow of actual cash in and out of the treasury. And even with respect to accounts of cash receipts and disbursements, there is among our Massachusetts municipalities, with few exceptions, no systematic classification or uniformity of phraseology from year to year among the various departments, or in the accounts of the same municipality; and much less is there uniformity of classification between our many different municipalities. This is by no means to say that, in several conspicuous cases, the auditors or accounting officers of our cities and towns have not individually appreciated the importance of a scientific classification of accounts and have not endeavored within their own field, with much success, to develop improved systems.

Until our Legislature took action with reference to this subject in 1906 there was no opportunity for a comparison and correlation of the views of our most progressive accounting officers, nor any central authority officially charged with the responsibility and duty of devising a common terminology and uniform, exact definitions of words and phrases,

so that everywhere a given expression when used should always mean the same thing. But while the law of 1906 was a recognition of the necessity for municipal accounting reform in Massachusetts, it was based upon the theory that the needed changes in methods would, in the long run, prove most effective if our public officials could be brought to make them in a measure voluntarily, after they themselves had come to appreciate their importance, rather than by a radical act of legislation to attempt to force such changes prematurely upon municipalities unwilling or unable to comprehend the positive advantages of a scientific system.

Instead, therefore, of meeting the question in the manner which was theoretically most logical, namely, by providing for the general installation of a uniform system of municipal accounting throughout the Commonwealth, with annual returns to a central bureau upon a schedule based upon the accounting system, thus making possible comparable statistical presentations, the Legislature made provision merely for furnishing municipal accounting officers with a schedule which was to be uniform for all cities and towns — *but there was no comprehensive preliminary attempt to secure the adoption of uniform classifications or methods in the keeping of accounts.* To devise a schedule which would be scientific in its conception and, at the same time, capable of securing classified information upon a uniform basis from the existing heterogeneous and inaccurate "systems" of municipal bookkeeping, which, like Topsy, had "just growed," and the character of which was reflected in poorly arranged, uninforming, and inaccurate auditors' and treasurers' reports, was a very difficult matter; and it has imposed a task of considerable responsibility and magnitude upon this Bureau.

No phase of the unscientific method in which Massachusetts municipal accounts are generally kept, or of the unintelligible character of the public documents of most of our cities and towns, is perhaps more unfortunate, and none constitutes a severer indictment of conditions crying loudly for reform, than the practical impossibility of determining for any considerable number of municipalities the extent to which current maintenance expenses are actually met from revenue. We are by no means unmindful of the fact that the distinguishing line between expenditures for what may be termed "Maintenance" (*i.e.*, current "running expenses") and expenditures for "Outlays" (*i.e.*, permanent improvements) is sometimes exceedingly difficult to draw (for example, with respect to what may constitute respectively repairs merely, or new construction; and a replacement, or new equipment); and that in any attempt to make such a division of municipal expenditures, decisions must frequently be dependent upon individual judgment. We cannot in this treatise do more than lay down the broad principle governing the distinction between maintenance expenses and outlays (see definition of "Outlays," p. 35); but it must be borne in mind that the distinction is wholly independent of

incurrence of debt; that is to say, an outlay for a permanent improvement, as distinguished from an expenditure for maintenance, is such, irrespective of the *source* of the income from which the expenditure is made, whether from revenue or the issuance of bonds or notes.

It would, indeed, be a very simple way out of both an accounting and a statistical difficulty were we to assume without discrimination that all expenditures from revenue might be properly treated as expenses, and that all expenditures from the issuance of notes or bonds might be treated as outlays. We know, however, that this is not the fact, and the work in which we are engaged would fall far short of one of its principal purposes if we were to agree to any such proposition. It ought, moreover, to be obvious that only by ignoring such an artificial assumption in our classifications can we hope to bring out, even approximately, the extent to which our cities and towns are incurring debt for purposes the expenditures for which should be met from revenue.

We cannot, with possibly a few exceptions, in the present condition of municipal accounting and financial reports in Massachusetts, obtain statistics which will satisfactorily reflect information upon any of the following points: (1) aggregate payments from revenue, classified according as expenditures may be for current maintenance expenses, or for outlays, — that is, permanent improvements; (2) expenditures for current maintenance which are made from non-revenue receipts, — *i.e.*, bond issues, etc.; (3) expenditures for outlays, classified according as the same may be paid from revenue or from non-revenue receipts.

While, therefore, we may classify all receipts of the municipal treasury according as they represent income from revenue or non-revenue sources, it is impossible to offset this classification by a corresponding subdivision of municipal payments along the same lines. It is of prime importance that all payments should be classified according to the *purpose* for which expenditures are made, and this has been the underlying principle of our work; but it is also of importance that payments be further classified from the standpoint of the source drawn upon to meet them. We have, we believe, succeeded measurably well in achieving the former object, but we are unfortunately not able, as most municipal books are now kept and reports compiled, to draw a sharp and clear line between all expenditures which are made from sums raised by taxation and sums raised by the incurrence of debt, — a distinction which would render possible an exhibit of aggregate current expenses actually *paid from revenue*, and also show the amount of payments from issues of bonds and notes. Until, therefore, there is a very general improvement in municipal accounting in Massachusetts, it will remain impossible to ascertain this most important fact for our cities and towns.

In the meantime, we can present, in a recapitulation of cash payments, a figure which represents the total of current costs properly *chargeable*

to revenue; namely, on account of (a) maintenance, (b) interest, and (c) debt (*i.e.*, bonds and notes paid from revenue, and payments to sinking funds from revenue). Although such a presentation falls short of furnishing the information our taxpayers are entitled to have, it possesses, nevertheless, no inconsiderable significance and value, since the three items mentioned are primary charges against revenue, and in any sound system of finance should not be met (unless in extraordinary emergencies, such as fire or flood, partaking of the magnitude of a great public calamity) in any other manner.

If, therefore, the revenue of a municipality, which may, following the lines of our classifications, be ordinarily ascertained without great difficulty, equals or exceeds the payments on account of the items above referred to as being properly chargeable to revenue (after deducting revenue receipts for outlays), it may be said that the municipality is living within its means, even though it be raising and expending more than is really required for an efficient administration of necessary services. If there is an excess which is not fully reflected in the balance of cash on hand at the end of the year, it has presumably been expended for what we term "outlays," or permanent improvements, to obtain money for which a bond issue might have been quite justifiable had the municipality chosen to resort to it. But if, on the other hand, it is seen, by the recapitulation of municipal revenue receipts and of payments on account of current charges against revenue, that the latter are in excess of the former, it must be plainly apparent either that the municipality has not raised sufficient revenue for the legitimate purposes of current needs, or that these represent illegitimate, extravagant, and wasteful expenditures; in any event, the conclusion is justified that the excess payments may have been met out of income from non-revenue sources, and in large part probably from bond issues.

The distinct division which it is possible to draw between revenue and non-revenue receipts, enabling the former to be indicated and totalized separately, will be shown graphically in our summary of receipts when the returns are tabulated by the device of a black horizontal line segregating "Revenue" from "Non-revenue." But such a device cannot be utilized on the payment side of the table for the purpose of differentiating between revenue and non-revenue payments, owing to the impossibility, for the reasons above given, of classifying cash payments in detail upon any other basis than the purpose or object of the payment. All payments on account of maintenance, therefore, must be entered under that heading, irrespective of the source from which the money to meet the same has been raised, whether from taxation or loans. The same statement is true with respect to payments on account of interest and on account of outlays, though happily our municipalities do not yet appear to have acquired the habit of borrowing money for interest charges.

With respect only to payments for the amortization of debt and payments to the sinking funds, is it possible to classify payments definitely at the present time according to the source from which money expended for these purposes is received, since, when a debt becomes due, we know, of course, whether it is met from accumulations in sinking funds or is paid direct from taxation; and we also know what the receipts of sinking funds from taxation or revenue sources are, and what amounts are received from other (*i.e.*, non-revenue) sources.

The success in actual practice of most theories, however well and logically grounded upon what may seem to be fundamental principles, is likely to depend upon the modifications which experience may necessitate and justify. This statement is eminently true of the science of municipal accounting which has made such remarkable progress in the past 15 years, and the proper development of which is being more and more widely recognized each year as a *sine qua non* of true and lasting municipal reform. The construction of a comprehensive theory of municipal accounting which should reflect principles applicable everywhere and under all conditions and, at the same time, possess sufficient elasticity to be adapted to a wide range of differing laws, ordinances, and local conditions, has been and still is a matter of evolution. The plan for a uniform classification of municipal receipts and payments for Massachusetts as set forth in these pages could not, therefore, possibly have been devised three years ago when our Legislature passed the first act on this subject.

This treatise accordingly represents the results of an effort to construct a comprehensive plan for the classification of municipal accounts which, while it is based upon what are believed to be scientific principles, is likewise adapted to the demands of the local situation in Massachusetts and readily adjustable to them. It reflects the result, not only of a study of municipal accounting theory, but of the experience of the Bureau of Statistics in its personal contact with the accounts and financial methods of our cities and towns; and it is in accordance with this scheme of classification that our future schedules are to be prepared and systems of accounting prescribed for adoption by the municipalities of the Commonwealth. While the plan herein outlined is intended as a compliance, in part, with the provisions of section 6 of chapter 371 of the Acts of 1909, which specifically authorizes the Director of the Bureau of Statistics to "prescribe standard forms intended to promote the systematic accounting of financial transactions and the publication of the same in the city and town reports," I would have it understood that it is my desire to proceed in this important matter in a spirit of cordial co-operation with local authorities, from whom advice and suggestions will always be welcome and are most earnestly desired.

CHARLES F. GETTEMY,
Director, Bureau of Statistics.

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RECEIPTS.

All receipts of moneys by a municipality are in the form of Revenue and Non-revenue. *Revenues*, as defined by the United States Bureau of Census,¹ "are those amounts of money or other forms of wealth produced or obtained for meeting governmental expenses, outlays, and indebtedness by nations, states, and municipalities (1) from the exercise of governmental powers of taxation and police control; (2) from the receipt of donations, gifts, grants, and subventions for governmental use; (3) from the performance of services for compensation, and from the furnishing of material objects for a valuable consideration; and (4) from the operation or management of productive enterprises, investments, and properties of the government." All other receipts, such as those which may properly be regarded as offsets to outlays (*i.e.*, expenditures for permanent improvements),² sums realized from the sale of bonds or other loans, moneys paid into the municipal treasury from sinking funds, and receipts on account of various temporary transactions, are of the nature of *Non-revenue*. We propose to consider in some detail these two general classes of municipal receipts, with especial reference to Massachusetts laws and local conditions.

Revenue Receipts.

Condensing the definition of revenues given above, revenue receipts may be said to fall within two principal classes: (1) General; (2) Commercial.

General revenues are moneys accruing to the municipal treasury under the general taxation and police powers, and from donations or grants from various sources, in return for which the municipality renders only a general service *without special regard to the possible benefit to be derived by the taxpayer in his capacity as an individual*. It is for this general service that a person pays taxes in various forms, including fees for permission to engage, as an individual, in certain gainful occupations, which, because of their character, the law has said must be under regulation in the interest of the community as a whole. His returns for these contributions to the public treasury are the maintenance of order, the protection of property against fire, the conservation of the public health, the education of all the children in the community (a matter which is presumed to concern him, whether he has children of his own or not), and the various other things which he expects the municipality to expend money for, though from many of them he may receive only an indirect benefit.

Commercial revenues, as distinguished from general revenues, are moneys accruing to the municipal treasury from property owners or

¹ U. S. Bureau of the Census, Special Report on the Statistics of Cities, 1906, p. 8.

² For a more comprehensive definition of the term "Outlays," see p. 35.

citizens *in return for a particular service rendered*, including improvements calculated to permanently enhance the value of property, or thing of value furnished, to the individual by the municipality;¹ *i.e.*, the term "commercial revenue" conveys the idea of a definite *quid pro quo* on the part of the city or town; and the citizen who pays special assessments, whether voluntarily or under compulsion, may be supposed to have something more tangible to show for his contribution to the treasury than simply the privilege of living in an organized state of society, with the protection to life and property and the general social advantages which such a privilege implies. In other words, when a citizen makes to the public treasury a contribution of the kind which we class as "commercial revenue," it is a payment *in addition* to what he must pay as his share of the revenue which it is incumbent upon the municipality to raise for *general* purposes, and he does so for the purpose of obtaining in return a certain special benefit to himself as an individual. Thus, if the municipality levies what is popularly called a "special assessment" on his property, the city is bound to give him a *special* benefit which accrues to his property and presumably enhances its value; or he buys an old piece of furniture of a department; or electric lighting; or water; payments for these are for *special benefits or privileges, or purchases of services or things* with respect to which the individual citizen and the municipality bear to each other the direct relationship of buyer and seller. Hence the revenue derived by the municipality for such transactions is distinctly commercial in character.

GENERAL REVENUE.

The Bureau of Statistics classifies General Revenue as follows: —

- I. TAXES.
- II. LICENSES AND PERMITS.
- III. FINES AND FORFEITS.
- IV. GRANTS AND GIFTS.
- V. ALL OTHER GENERAL REVENUE.

I. TAXES.

A "tax," in the broadest definition of the term, is "a compulsory contribution levied upon persons, property, or business for the support of government." (Standard Dictionary.) Lexicographers, however,

¹ Some accountants would limit the term "commercial revenue" to a much narrower field, confining it to the earnings of those municipal departments or functions which are, or should be, operated upon a commercial basis, such as gas and electric lighting plants, water works, etc., or what we broadly denominate "public service enterprises." To give such a restricted meaning to the term "commercial revenue" would, however, exclude a very considerable body of revenue receipts which cannot properly be classified under the expression "general revenue," though they have, in fact, a very important characteristic in common with public service enterprises which income from general revenue sources does not possess, — namely, the implication of a special service rendered or material thing furnished the taxpayer as an individual. If a term is desired to describe the particular kind of revenue derived from public service enterprises for the purpose of differentiating it from the other forms of what we have defined as "commercial revenue," the expression "*industrial* revenue" would seem to fit the case.

commonly admit numerous narrower definitions,¹ and for the purposes of a classification of municipal revenues it is important that the word be used in a much more restricted sense, in order that the source of revenue which is based upon a general levy upon all property may be clearly differentiated from the so-called "taxes" exacted of individuals in the exercise of the police power of the community or in return for specific services performed. In our classification of revenue receipts we define a tax as follows: "A tax is a *general compulsory* contribution of wealth collected, in the general interest of the community, from individuals or corporations by an exercise of the sovereign power of the government, and *levied without reference to the special benefits which the individual contributors may derive from the public purposes for which the revenue is required.*"² In accordance with this definition, the Bureau of Statistics recognizes five sources of taxation from which the cities and towns of Massachusetts obtain revenue, namely: 1. *Property*;³ 2. *Poll*; 3. *Corporation* (except street railways); 4. *Street Railway*; 5. *Bank*. The nature of these several classes of taxes is as follows:—

1. *Property*. The property tax is a direct tax levied upon all property real and personal situated within the Commonwealth and all personal property of the residents of the Commonwealth wherever situated unless expressly exempted by law. (Acts of 1909, chapter 490, part I, sections 2, 3, and 4.) Provision is made on the schedule for entering on separate lines the collections of taxes for (a) the current year, and (b) previous years, in order that it may be ascertained to what extent collections are made promptly within the year for which the levies are made. Taxes received for the current year include any taxes paid a municipality by the State or other cities and towns for land taken for water privileges, etc. Interest on deferred taxes is not a tax receipt, but should properly be treated as a receipt under "Interest" (see p. 34). The amount reported as receipts from taxes is intended to be the net sum collected by the municipality *for its own use* after the county, state, and non-resident bank taxes—in the collection of which the municipality merely acts as the agent of the county or State—are deducted. The net amount of collections on account of tax titles or redemptions is included in the tax collections for previous years.

2. *Poll*. The poll tax is the tax of \$2 "assessed on every male inhabitant of the Commonwealth above the age of 20 years whether a citizen of the United States or an alien." (Acts of 1909, chapter 490, part I, section 1.) Provision is made on the schedule, as for property taxes, for entering collections for (a) the current year and (b) previous years on separate lines.

3. *Corporation*. The corporation tax is assessed by the Tax Commissioner of the Commonwealth upon the capital stock of corporations in the manner prescribed by law. All real estate and machinery of corporations

¹ *E.g.*, Century Dictionary. A tax is an enforced proportional contribution levied on persons, property, or income, either (a) by the authority of the state for the support of the government, and for all its public or governmental needs, or (b) by local authority, for general municipal purposes.

² U. S. Bureau of the Census, Special Report on the Statistics of Cities, 1905, p. 40.

³ The general limit of taxation in cities is \$12 on \$1,000 of valuation, subject to certain exceptions and other provisions of law. (Revised Laws, chapter 12, section 54.) There is no limit in towns.

is assessed and taxed in the city or town where the same is located, the valuation thereof being deducted from the corporate franchise valuation made by the Tax Commissioner in determining the amount of taxes payable to the Commonwealth. This tax on the capital stock of corporations is paid directly into the treasury of the Commonwealth, which retains the amount assessed on stock owned by persons not residents of the Commonwealth; the State Treasurer thereupon distributes the remainder, one-half to the cities and towns where the tangible property of the corporation is located, and one-half to the cities and towns in proportion to the amount of stock owned by the residents thereof. (Acts of 1909, chapter 490, part I, section 23, and part III, sections 40-43 and 58-67.)

4. *Street Railway.* The street railway tax within the meaning of this classification is the *corporation franchise tax which is assessed upon street railways*. It differs in character from the tax assessed upon other corporations with respect only to the manner in which it is distributed, being apportioned to cities and towns in accordance with the length of mileage of the company's tracks therein. This street railway corporation tax should not be confused with the street railway *excise tax* collected by the municipality, or the special tax collected from the Boston Elevated Railway Company by the Commonwealth, which is an additional tax exacted of street railway corporations as compensation for the special privilege granted them of occupying the streets. The excise tax is *commercial* revenue, and is therefore given a separate classification as a *public service privilege* (see p. 22). The street railway corporation tax might be included in the receipts from the general corporation tax, but for the fact that we think it desirable to show tax receipts from this particular class of corporations independently of the taxes paid by other corporations.

5. *Bank.* All shares of stock in national banks are assessed in the city or town where the bank is located. A list of the shareholders having been furnished him, the Tax Commissioner determines the amount to be credited to the various cities and towns, making due allowance for real estate taxes where the bank is located. This tax is collected by the local officials, that portion assessed upon non-residents being turned over to the Commonwealth, which retains the amount assessed on shares owned by persons not residing in the Commonwealth; the State Treasurer then distributes the remainder among the cities and towns in accordance with the residence of the stockholders, the State allowing the city or town in addition 1 per cent for collecting the taxes of non-residents. (Acts of 1909, chapter 490, part III, sections 11-20.)

II. LICENSES AND PERMITS.

The second division of General Revenue is "Licenses and Permits," by which is meant the privilege granted to persons or corporations of engaging in business or performing a specific act which the State has determined should be subject to public supervision or regulation in the interest of society through what is known as the police power. The words "license" and "permit" as they occur in our statutes do not appear to have been used with any definite perception of distinction between them, and indeed are commonly used as if they were synonymous. Yet the privileges granted under one term or the other fall naturally into two quite distinct classes. Thus, a *license* is presumed

to convey the idea of time, *i.e.*, it is issued for a certain period, at the end of which the privilege granted ceases; whereas a *permit* is the granting of authority to perform a certain act which without such special grant would be illegal. For example, when the privilege of selling liquor is granted, a license is issued which is void upon the expiration of a specified period, and the license must be renewed if the business operated by virtue of its provisions is to be legally continued; but the authority granted a corporation to open a street or to set an electric light pole involves the performance of a specific act, which, when completed, becomes a closed transaction, and we call the certificate of such granted authority a *permit*.¹

The distinction thus made by the Bureau of Statistics between licenses and permits may not of itself seem important, but the desirability of treating receipts from permits as such, in a classification of municipal finances, rather than as departmental receipts, should be clearly understood. For example, receipts on account of sewer or street opening "permits" are not, properly speaking, commercial revenue, and hence should not be treated as departmental earnings of the sewer or highway departments, any more than receipts from liquor licenses are properly to be regarded as earnings to be credited to the police or licensing department. Yet, while the latter treatment is seldom, if ever, followed in municipal accounting, the former method of treating permits is quite common. This consideration, if no other, justifies making provision on the schedule for receipts from permits separate from, but in conjunction with, licenses as a form of general revenue.

On our schedule we do not deem it necessary to take specific account of any single form of license except liquor, and therefore classify receipts from licenses as (1) *Liquor*; (2) *All Other*. We give here, for purpose of convenient reference, definitions of the several principal classes of licenses from which our cities and towns derive revenue, namely: 1. *Amusement*; 2. *Auctioneers*; 3. *Billiard Tables and Bowling Alleys*; 4. *Intelligence Offices*; 5. *Junk*; 6. *Liquor* (subdivided into seven classes); 7. *Milk*; 8. *Pawnbrokers*.

1. *Amusement*. The mayor of a city or the selectmen of a town are authorized, subject to the provisions of law, to grant licenses upon such terms and conditions as they deem reasonable for "theatrical exhibitions, public shows, public amusements, and exhibitions of every description to which admission is obtained upon payment of money or upon the delivery of any valuable thing." (Acts of 1908, chapter 385, section 2.) The mayor and aldermen of any city except Boston, and in Boston the licensing board, and the selectmen of any town, may grant a license to any person to maintain picnic groves, skating rinks, carrousels, inclined railways, ferris wheels, and

¹ We consistently observe the distinction noted when we classify as a *permit* the certificate commonly termed a marriage "license," which is issued by city and town clerks upon recording a notice of intention of marriage.

outdoor exhibitions of fire fighting. (Acts of 1906, chapter 190 and chapter 291, section 4; and Acts of 1907, chapter 214.)

2. *Auctioneers.* The mayor and aldermen of a city or the selectmen of a town may license one or more suitable inhabitants thereof to be auctioneers, and may charge \$2 for each such license. (Revised Laws, chapter 64.) This general law does not apply to Boston where auctioneers' licenses are granted by the police commissioner.

3. *Billiard Tables and Bowling Alleys.* The mayor and aldermen of a city, except Boston, and in Boston the licensing board, and the selectmen of a town, may grant a license to a person to keep a billiard, pool, or sippio table, or a bowling alley for hire, gain, or reward, upon such terms and conditions as they deem proper. For each such license a fee of not less than \$2 shall be charged. (Revised Laws, chapter 102, sections 168-171 and 186-189, and Acts of 1906, chapter 291, section 4.)

4. *Intelligence Offices.* The mayor and aldermen of any city except Boston, and in Boston the licensing board, and the selectmen of any town, may grant licenses for the establishment of intelligence offices "for the purpose of obtaining or giving information concerning places of employment for domestics, servants, or other laborers, except seamen, or for procuring or giving information concerning such persons for or to employers, or for procuring or giving information concerning employment in business." The fee for each such license shall be not less than \$2. (Revised Laws, chapter 102, sections 23-28 and 186-189, and Acts of 1906, chapter 291, section 4.)

5. *Junk.* The mayor and aldermen of any city except Boston, and in Boston the police commissioner, and the selectmen of any town, if ordinances or by-laws therefor have been adopted in such city or town, may license, subject to the provisions of law, suitable persons to be dealers in, and keepers of shops for the purchase, sale or barter of junk, old metals, or second-hand articles; they may also license suitable persons to be junk collectors, and shall charge a fee of not less than \$2 for each such license. (Revised Laws, chapter 102, sections 29-32 and 186-189; Acts of 1902, chapter 187; Acts of 1906, chapter 291, section 10.)

6. *Liquor.*

A. All except sixth and seventh classes.

B. Sixth class (druggists).

C. Seventh class (dealers in paints and chemicals).

The several classes of liquor licenses are defined by statute (Revised Laws, chapter 100, sections 18 and 19) as follows:—

First class. To sell liquors of any kind, to be drunk on the premises; fee, not less than \$1,000.

Second class. To sell malt liquors, cider and light wines containing not more than 15 per cent of alcohol, to be drunk on the premises; fee, not less than \$250.

Third class. To sell malt liquors and cider, to be drunk on the premises; fee, not less than \$250.

Fourth class. To sell liquors of any kind, not to be drunk on the premises; fee, not less than \$300.

Fifth class. To sell malt liquors, cider and light wines containing not more than 15 per cent of alcohol, not to be drunk on the premises; fee, not less than \$150.

Sixth class. Licenses to retail druggists and apothecaries to sell

liquors of any kind for medicinal, mechanical or chemical purposes only, and to such persons only as may certify in writing for what use they want them; fee, \$1.

Seventh class. Licenses to dealers in paints or in chemicals to sell alcohol for mechanical, manufacturing or chemical purposes only; fee, \$1.

The treasurer of a city or town is required, within thirty days after the receipt of money for licenses for the sale of intoxicating liquors, to make a report of the total amount thereof to the Treasurer of the Commonwealth, and, at the same time, to pay to him one-fourth of the amount so received; for neglect to do this, interest at the rate of 6 per cent must be paid the Commonwealth on the amount of such receipts from the time they become due until they are paid. (Revised Laws, chapter 100, section 45.) This interest is not to be regarded as part of the license fee paid the Commonwealth; it should be treated as interest.

Cities and towns vote annually on the question "Shall licenses be granted for the sale of intoxicating liquors?" If the municipality votes in the affirmative, licenses of the first five classes may be granted to applicants. Licensing boards, the mayor and aldermen in cities having no such board, and the selectmen in towns, are authorized by law without a vote of the people to grant licenses of the sixth and seventh classes annually to applicants therefor. (Revised Laws, chapter 100, section 10, and Acts of 1906, chapter 291, section 4.)

Special statutory regulations govern the issuance of licenses of the sixth class. One or more such licenses are required by law to be issued in each city and town, and the licensee must have a certificate of fitness from the State Board of Pharmacy, to which board he pays a fee of not more than \$5 for said certificate. (Revised Laws, chapter 100, sections 22 and 23, as amended by the Acts of 1909, chapter 261.)

7. *Milk.* The boards of health of cities shall, and boards of health of towns or the selectmen acting as such boards, may, appoint one or more inspectors of milk for their respective cities and towns; and whoever, except a producer selling milk to other than consumers, or not to exceed 20 quarts per day to consumers in cities and in towns in which inspectors of milk are appointed, delivers, exchanges, exposes for sale or sells any milk, shall annually, before the first day of June, be licensed by the inspector of milk in such city or town to sell milk within the limits thereof, and shall pay to such inspector 50 cents to the use of such city or town. The *inspector shall pay over monthly* to the city or town treasurer all money collected by him. (Acts of 1909, chapters 405 and 443.)

8. *Pawnbrokers.* The mayor and aldermen of any city except Boston, and in Boston the police commissioner, and the selectmen of any town, if ordinances or by-laws therefor have been adopted in such city or town, may license, subject to the provisions of the law, suitable persons to carry on the business of pawnbrokers, and shall charge a fee for each such license of \$50, but if a license is issued on or after November first in any year the fee shall be \$25 (Acts of 1905, chapter 415), except in Boston, where the fee shall be such amount, not less than \$10, as the police commissioner considers reasonable. (Revised Laws, chapter 102, sections 33-46 and 186-189, and Acts of 1906, chapter 291, section 10.)

Besides the above there are various minor licenses such as plumbers, peddlers, hack drivers, street vendors, etc.

Receipts from permits are subdivided on our schedule into: 1. *Marriage*; 2. *All Other*.

1. *Marriage*. "Persons who intend to be joined in marriage in this Commonwealth shall before their marriage cause notice of their intention to be entered in the office of the clerk or registrar of the city or town in which they respectively dwell, or if they do not dwell within the Commonwealth, in the office of the clerk or registrar of the city or town in which they propose to have the marriage solemnized." (Revised Laws, chapter 151, section 16.) The fee of a town clerk "for entering notice of an intention of marriage and issuing the certificate thereof, and for entering the certificate of marriage which is filed by persons married out of the Commonwealth" is \$1. (Acts of 1908, chapter 121.)

2. *All Other*. The word "permits" in this connection is intended to apply only to the charge made for clerical service incident to the issuance of various miscellaneous permits by the municipality, *for which there is no recurrent charge*. These permits are issued usually through a department granting permission to a person or corporation to do some specific thing, which it is considered, from the standpoint of the common welfare, should not be permitted except under certain conditions imposed by public authority. It has not been deemed necessary to provide for a specific itemization of each of these kinds of permits separately under this general heading, but examples are: the permits issued by building departments (when unaccompanied by official inspection), or for making openings in the streets, for sewer connections, for the erection of poles, for the projection of bay windows and signs, etc., or for the performance of specific acts by a person or corporation. (See "Minor Privileges," p. 23.) But if the payment for such a permit carries with it the performance of a service by the city through a department, the receipt is a *bona fide* earning of the department; under such circumstances it should not be considered as a part of the *general* revenue of the municipality, but as a *departmental* receipt, being of the nature of *commercial* revenue. Permits which carry with them the privilege of *doing business on public property* (such as for stands on sidewalks, or the occupancy of space under sidewalks, etc.) should not be treated as "Permits," but as "Minor Privileges" (see p. 23).

III. FINES AND FORFEITS.

Revenue receipts from Fines and Forfeits are of three general classes:

1. *Fines and Forfeitures* imposed by a *court* as punishment for an offence committed in violation of law; 2. *Penalties for Violation of Department Regulations*; 3. *Forfeitures on Account of Breach of Contract*.

1. *Court Fines and Forfeitures*. "Fines and forfeitures exacted as a punishment for any offence or for the violation or neglect of any duty imposed by statute may, unless otherwise provided, be prosecuted for and recovered by indictment or complaint or by an action of tort in a court having jurisdiction of the offence or action. A fine or forfeiture, which is imposed by the superior court shall be paid over to the treasurer of the county where the proceeding in which the fine or forfeiture was imposed was tried, or in the county of Suffolk, to the collector of the city of Boston. A fine or forfeiture which is imposed by a police, district or

municipal court or by a trial justice shall, except as otherwise provided, be paid to the city or town in which the crime or offence was committed." (Revised Laws, chapter 221, sections 1 and 2.)

Receipts on account of court fines are held to include all receipts from cases in *criminal* actions, all moneys obtained from the sale of goods or other property seized for violation of law, and all moneys received from forfeited bail.

2. *Penalties for Violation of Department Regulations.* These are the so-called fines imposed by some municipalities upon policemen, firemen, or other employees, for the violation of department regulations. When the amount of such fine is deducted from salaries or wages, the total amount to which the employee would have been entitled should be treated as having been actually paid, and so entered as a payment for salaries or wages under the proper department; and the amount deducted as a fine treated, *not as a department earning*, but as a receipt from "Department Penalties."

3. *Forfeitures on Account of Breach of Contract.* Receipts from this source consist of amounts forfeited from cash or bonds deposited for the performance of contracts, etc., when the same have not been faithfully carried out; also receipts from public service corporations in the nature of penalties for failure to comply with laws, ordinances, or contracts.

IV. GRANTS AND GIFTS.

The term "Grants and Gifts" is used by the Bureau of Statistics to describe those classes of donations made to municipalities which are generally intended for immediate expenditure to meet current expenses or to be expended as soon as possible for outlays; *i.e.*, contributions which are *not intended to be kept as permanent trust funds and invested*. The word "grant" is used to embrace the amounts received by municipalities from other civil divisions (*i.e.*, the Commonwealth or the county) for various purposes, the burden of local taxation being presumably relieved by the amount of such contributions.¹ For the sake of distinguishing such free contributions from those frequently made by individuals, usually in the form of bequests, we employ, to describe the latter, the word "gifts," whether they are for a general or specific purpose.

The general title, "Grants and Gifts," is therefore subdivided into: 1. *Grants from Other Civil Divisions*; 2. *Gifts from Individuals*.

1. *Grants from Other Civil Divisions.* In Massachusetts, municipalities receive grants from A, the Commonwealth, and B, the county.

A. Grants from the Commonwealth are for: *a*, school purposes; *b*, armory rent and maintenance; *c*, highway purposes; *d*, health purposes.

¹ All of the grants to Massachusetts municipalities from the Commonwealth or county are, in fact, in the nature of subventions; that is, money to be employed for the support of some particular branch of municipal service, such as schools, libraries, armories, and highways. The United States Bureau of the Census differentiates grants from subventions by holding the former to be applicable to receipts from other civil divisions which have no condition attached to the gift. This distinction does not at present seem necessary in Massachusetts, there being few, if any, grants of such a character. It has therefore seemed to us that the word "grant" might be used in this connection in the broad sense of meaning any payment by the Commonwealth or county which partakes of the form of a free contribution to the revenues of the municipality.

a. Grants from the Commonwealth for school purposes are made in four forms, with the object of insuring proper educational advantages in towns whose taxable valuation is so small that the Commonwealth feels justified in assuming part of the burden involved in the enforcement of the policy of compulsory education. It will be noted that no provision is made under this heading for those amounts received from the Commonwealth as reimbursements for the tuition and transportation of state wards; and for the reason that such sums are not *grants*. They represent remuneration for a service actually performed for the State by the city or town for which the latter is compensated. Such receipts are in the nature of actual *earnings*, and are treated as a receipt under the departmental heading "Education" (see p. 30). The four forms of grants for school purposes are (1) Support of Public Schools; (2) Aid to High Schools; (3) High School Tuition; (4) Union Superintendency:—

(1) *Support of Public Schools.* The income of the Massachusetts School Fund, which was established in 1834, and now amounts to \$5,000,000, is distributed annually by the Commonwealth on January 25, after having been apportioned by the commissioners of the fund to towns whose valuation is not over \$2,500,000 for the "support of the public schools." (Revised Laws, chapter 41, amended by Acts of 1903, chapter 456.) The method of distribution for towns complying with the provisions of the law, as applied by the commissioners, is as follows:—

(A) Towns whose valuation does not exceed \$500,000 receive \$500, with \$75 additional if the rate of taxation is \$18 or more.

(B) Towns whose valuation is more than \$500,000, but not in excess of \$1,000,000, receive \$300.

(C) Towns whose valuation is more than \$1,000,000, but not in excess of \$2,000,000, receive \$150.

(D) Towns whose valuation is more than \$2,000,000, but not in excess of \$2,500,000, receive \$75.

After a distribution among the towns on the above basis, an additional distribution is made of the remainder of the income of the fund to those towns whose valuation does not exceed \$2,500,000, and whose annual tax for the support of the public schools is not less than one-sixth of their whole tax for the year, as follows:—

(A) Every town whose school tax is not less than one-third of its whole tax receives a proportion of said remainder expressed by one-third.

(B) Every town whose school tax is not less than one-fourth of its whole tax receives a proportion expressed by one-fourth.

(C) Every town whose school tax is not less than one-fifth of its whole tax receives a proportion expressed by one-fifth.

(D) Every town whose school tax is not less than one-sixth of its whole tax receives a proportion expressed by one-sixth.

(2) *Aid to High Schools.* Towns containing 500 families are required to maintain high schools. Other towns may maintain such schools; and a town of less than 500 families maintaining a high school of its own and employing at least two teachers therein may receive annually from the Commonwealth toward the support of such high school, if it be approved by the State Board of Education, the sum of \$500. But no town the valuation of which averages a larger sum for each pupil in the average membership of its public schools than the corresponding average for the Commonwealth shall receive money from the Commonwealth under the provisions of this section. (Revised Laws, chapter 42, section 2; Acts of 1902, chapter 433; Acts of 1906, chapter 200; Acts of 1908, chapter 427.)

(3) *High School Tuition.* Towns of less than 500 families which do not maintain high schools are required to pay for the tuition of children residing in the town who, with the previous approval of the school committee of their town, attend the high school of another city or town. A town whose valuation is less than \$750,000 is entitled to reimbursement from the Commonwealth for amounts thus paid for the tuition of its children in the high school of another city or town; and a town whose valuation exceeds \$750,000, but whose number of families is less than 500, is entitled to reimbursement from the Commonwealth for one-half of the amount thus paid another city or town. (Revised Laws, chapter 42, section 3, as amended by Acts of 1902, chapter 433.)

(4) *Union Superintendency.* Two or more towns, the valuation of each of which is less than \$2,500,000, are authorized, under certain conditions, to form a union for the purpose of employing a superintendent of schools. To such union the Commonwealth contributes \$1,250, three-fifths of which (\$750) is to be paid for the salary of the superintendent, and two-fifths (\$500) to be apportioned and distributed to the towns forming the union, for the payment of salaries of teachers employed in the public schools therein. But a town whose valuation exceeds \$2,500,000 may enter a union subject to similar conditions and benefits, except that such town shall not participate in the distribution of state aid made to the other towns in the union; but a town whose valuation is less than \$2,500,000 at the time of entering the union shall not be deprived of that aid until its valuation exceeds \$3,500,000. (Revised Laws, chapter 42, sections 43-48.) The State Board of Education may form or adjust unions of towns. (Acts of 1903, chapter 299.)

b. *Grants from the Commonwealth for rental and maintenance of armories* are made in accordance with the provisions of the Acts of 1908, chapter 604, sections 127-140. Armories are of three classes:—

Armories of the *first class* consist of those built and maintained by the Commonwealth, no portion of the expense of which is borne by the municipality.

Armories of the *second class* are those maintained by cities or towns in buildings "constructed or provided for the *exclusive use and occupancy of the volunteer militia*." For the rental of armories of this class in which are quartered not more than two companies, an allowance is made and paid by the Commonwealth of an amount not exceeding \$1,200, and further sums not exceeding \$400 for each company or \$200 for each headquarters quartered in said armory in addition to the two companies first named: *provided, however*, that the aggregate sum allowed as rental for such armory shall not exceed 4 per cent of the total cost thereof, including the amounts paid for both land and building; for all other expenses of maintenance of an armory maintained under the provisions of this section in which are quartered not more than two companies, a sum not exceeding \$600, and further sums not exceeding \$100 for each company or \$50 for each headquarters, in addition to the two first named companies, and quartered in the same building therewith.

Armories of the *third class* are those maintained by cities or towns in buildings "*not exclusively* devoted to the use of the volunteer militia." For the rental of this class amounts are allowed and paid by the Commonwealth for rental and all other charges of maintenance as follows: For an armory provided for one company, not to exceed \$900; for each additional company quartered therewith, not to exceed \$400; for each headquarters located in a building wherein are quartered no other troops, not to exceed \$400; for each headquarters located in the same building with other troops, not to exceed \$200, for a detachment from any command, such amount as may be determined by the adjutant general: *provided, however*, that such amount shall be deducted from the total amount allowed by law for armory rental and maintenance at the home station of the command of which such detachment forms a part.

The law provides that there may be constructed by the Commonwealth not more than three first-class armories each year, so that ultimately grants for second and third class armories may be discontinued.

c. Grants from the Commonwealth for highway purposes, i.e., for the "improvement, maintenance and repairs of ways," in certain towns are made in accordance with the provisions of chapter 47, section 17, of the Revised Laws, as amended by chapter 279 of the Acts of 1908. These grants are in the form of allotments made by the State Highway Commission from its annual appropriation from the Legislature; but it is specifically provided that a "way" upon which money is expended under the provisions of this act "shall not thereby become a *state highway*;" grants made to towns under the provisions of this law should not, therefore, be confused with certain *reimbursements* allowed by the Commonwealth to towns for work done by them upon *state highways*. (For an explanation of the transactions on account of *state highways*, and the manner in which they are treated under our scheme of classifications, see p. 55, under the heading "Highways and Bridges.")

The grants to the towns under the so-called "Small Towns Act," as provided by the Legislature of 1908, are made in the following manner: The Highway Commission may expend 5 per cent of its annual appropriation for this purpose in towns the valuation of which does not exceed \$1,000,000; it may expend an additional 5 per cent of its appropriation in towns of the same class, provided such towns contribute an equal amount to be so expended; and it may expend another 5 per cent of its appropriation in towns of over \$1,000,000 valuation, provided such towns contribute an equal amount in addition to the average annual appropriations for highway repairs for the preceding five years.

When the town takes the contract, as it usually does, to do the work for the Highway Commission, it is reimbursed to *the amount of the allotment*, though this amount is not necessarily the whole amount of the expenditure. The amount of the *allotment* which the town receives from the Highway Commission is therefore a grant from another civil division (the Commonwealth), and, not being an earning of the highway department, should not be treated as a departmental receipt under "Highways."

In some few cases the town does not do the work itself upon town ways constructed or repaired under the provisions of this law, since the commission may contract for the performance of the work with a private contractor. In such instances the amount of the allotment made to the town is paid directly by the commission to the contractor, and *does not appear on the town books*. When this method is adopted, it is, of course, an instance of performance by the Commonwealth of a direct and free service to the town, but it is not a grant of money. As our general schedule is at present confined to transactions in which there is a direct flow of money in or out of the local treasury, it is obvious that the omission of an entry showing a cash allotment from the Commonwealth for the maintenance of a town way is not necessarily evidence that the Commonwealth has spent no money for this purpose upon the town.

d. Grants from the Commonwealth for health purposes. Inspection of animals. In towns having a valuation of less than \$2,500,000, one-half the compensation, not exceeding \$250 for each inspector in any one year, shall be paid by the Commonwealth. (Revised Laws, chapter 90, section 14.)

B. A grant from the county is made to the cities and towns, consisting of the excess of the dog license fees (which are fixed at \$2 for a male dog, \$5 for a female dog, and \$25 and \$50 for dogs kept for breeding purposes) above the amount expended by the county for damages done by dogs. This grant is ordinarily regarded as if it were revenue from a license issued by the municipality, since, with the exception of the city of Boston, dogs must be registered with and licenses issued by the city or town clerk (in Boston these licenses are issued by the police commissioner). The municipal officials issuing the licenses do not, however, turn their receipts into the municipal treasury, but are required to pay over the same into the treasuries of their respective counties, except in the county of Suffolk, on or before the first day of June and December of each year, retaining to their own use 20 cents for each license.

The city or town clerks when performing this duty do not act in the capacity of employees of the municipality, but as *agents for the county* for the collection of sums due the county. The law provides for an investigation and appraisal of damages done by dogs, and the county treasurer pays all orders drawn upon him for such damages. Under the direction of the county commissioners a suitable person is appointed to investigate damages done by dogs and ascertain if the evidence is sufficient to sustain an action against the owner or keeper of such dogs, all awards recovered or received in such action to be paid over to the county treasurer and placed to the credit of the "dog fund." From this fund the county treasurer pays such reasonable compensation as the county commissioners may allow for the expense of prosecution. All money received by a county treasurer, under the law relating to dogs, and not paid out for damages and expenses incident thereto, "shall in January be paid back to the treasurers of the cities and towns in proportion to the amounts received from such cities and towns; *and the money so refunded shall be expended for the support of public libraries or schools.* In the county of Suffolk money so received by the city or town treasurer and not so paid out shall be expended by the school committee for the support of public schools." (Revised Laws, chapter 102, sections 128-166.)

2. *Gifts from individuals* to municipalities consist of money which the donor intends shall be immediately expended, and *not invested*; such gifts do not constitute funds, and *should not be confused with trust funds*, which are established with the intention that they shall be invested, and the *income only* used for municipal purposes. According to the purpose for which gifts from individuals are to be used, we classify them as for: *A*, Expenses; *B*, Outlays.

A. Expenses. Gifts made for this purpose are to be devoted to defraying the current maintenance of a municipal service; such as, for example, the purchase of books for libraries, assisting the worthy poor, etc.

B. Outlays. Gifts classified under this heading are those which are to be expended in some constructive work which will add to the visible assets of the municipality; for example, the construction of libraries or other public buildings, monuments, drinking fountains, etc.

V. ALL OTHER GENERAL REVENUE.

This classification is intended to provide for receipts of a general revenue character which cannot be properly classified under I, II, III, or IV; for example, contributions to conscience funds, so called; money found on unidentified dead bodies, etc., which, the ownership not being ascertainable, is turned into the municipal treasury. Revenue receipts from such sources, while not likely in individual cases to be large, sometimes amount to a considerable aggregate, and are of sufficiently frequent occurrence to warrant their being accounted for separately.

COMMERCIAL REVENUE.

The Bureau of Statistics classifies Commercial Revenue as follows:—

- I. SPECIAL ASSESSMENTS.
- II. PRIVILEGES.
- III. DEPARTMENTAL.
- IV. PUBLIC SERVICE ENTERPRISES.
- V. CEMETERIES.
- VI. ADMINISTRATION OF INVESTED FUNDS.
- VII. INTEREST.

I. SPECIAL ASSESSMENTS.

Because special assessments are closely analogous to, and possess substantially the attributes of, a tax, it may be urged that in a classification of municipal receipts they should be treated as one form of tax receipts, and have a position in a tabulation under the heading "Taxes" and co-ordinate with "Property," "Poll," "Corporation," "Bank," and "Street Railway." This would, of course, necessitate the inclusion of special assessments within the category of *general revenue*; but if our definition of commercial revenue (see p. 7) be justified, special assessments must logically be classified as a subdivision of the latter. Moreover, for numerous reasons, which our cities and towns apparently do not always appreciate, *it is important to differentiate so-called taxes which are in the nature of special assessments from general revenue taxes, assessed upon real estate, polls, and various classes of corporations.*

A common form of notification of a special assessment is by means of the tax bill, which is sometimes made up in such a manner that the special assessment (whether for the construction of a sewer or other public improvement, or for street sprinkling or moth extermination) appears to be but a part of the general tax levy. There is, of course, no objection to this if the bill is to be used only as a convenient method of informing the taxpayer of the total amount of his tax obligation to the municipality. But if such a treatment be carried further and incorporated into the actual bookkeeping of the city or town, so as to confound special assessments with general tax receipts, the result is certain to bring confusion into the financial affairs of the municipality.

It is of the greatest consequence that the citizen should be able to ascertain, and that fiscal officers should be able to state accurately, what proportion of the general property and poll taxes assessed is collected from year to year, what proportion is abated, how nearly these general revenue taxes may be depended upon to meet the current running expenses of the municipality, and to what extent it may be necessary to resort to other means of revenue. While it is important that the citizen owning no property subject to special assessments and liable only for

the payment of a general tax should know whether the tax collections are manipulated in such a way that his general tax payments are being utilized for the purpose of conferring special benefits upon individuals who should be called upon to pay for the same through special assessments, it is of as great importance that he know whether special assessments are being treated by the city as taxes, in the sense that they are included in the amount to be raised by taxation within the "tax limit" fixed by law for general municipal requirements. Unfortunately, the practice is not uniform in this respect, and the comparisons of tax rates which are frequently made without taking into account this consideration, are, therefore, to a certain extent fallacious.

The following classification by the Bureau of Statistics would seem to be self-explanatory:—

1. *Special Assessments.*

A. To meet Expenses for:—

- a. Street sprinkling.
- b. Moth extermination.
- c. Other purposes.

B. To meet Outlays for:—

- a. Sewers.
- b. Sidewalks and curbing.
- c. Street and all other betterments not included in a and b.

II. PRIVILEGES.

Several subclassifications of that source of commercial revenue included in the term "Privileges" have been suggested by the United States Bureau of the Census,¹ but in Massachusetts two would seem to suffice for present local conditions. These are denominated as: 1. *Public Service Privileges*; 2. *Minor Privileges*. Privileges, whether classified as "public service" or "minor," differ from *rents* in that, with the latter, exclusive control and use of the property is given to the tenant, while privileges give no control whatever, but permit only a joint use with the public of the street or other public property. Thus, a corporation operating a street railway system, though it may be given a franchise which excludes other corporations from the use of the same streets, cannot exclude the public from such use jointly with it.

1. *Public Service Privileges.* Receipts from public service privileges include all periodical receipts (other than property or corporation taxes) which may be collected from corporations or individuals enjoying the privilege of using the highways for providing some public service, such as that furnished by street railway, electric light, telephone, and water companies. This form of revenue receipt is often popularly referred to as an "excise" or "franchise" tax. "A receipt for street privileges should be classified as

¹ U. S. Bureau of the Census, Special Report on the Statistics of Cities, 1905, p. 43.

for a public service privilege when it is a payment for the use of the highways either over, across, upon, or under the streets or alleys where such use is absolutely essential to the conduct of the business in connection with which the privilege is granted."¹ In Massachusetts the only revenue derived from this source is that provided by the law which exacts from each street railway company or electric railroad operating in any city or town (in addition to other taxes provided by law) "an excise tax of an amount equal to such proportion of the following percentages of the gross receipts of such company as, in the case of a street railway company, the length of tracks operated by it in public ways and places of such city or town bears to the total length of tracks operated by it in public ways and places, and in the case of an electric railroad company as the length of tracks operated by it longitudinally in public ways and places of such city or town bears to the total length of tracks operated by it. The percentages shall be based upon the annual gross receipts for each mile of track, as follows, and computed upon the aggregate of said annual gross receipts: \$4,000 or less, 1 per cent; more than \$4,000 and less than \$7,000, 2 per cent; more than \$7,000 and less than \$14,000, $2\frac{1}{4}$ per cent; more than \$14,000 and less than \$21,000, $2\frac{1}{2}$ per cent; more than \$21,000, and less than \$28,000, $2\frac{3}{4}$ per cent; \$28,000 or more, 3 per cent." Receipts from excise taxes of street railway companies are to be applied under the statute "towards the repair and maintenance of the public ways and the removal of snow therefrom;" and in the case of electric railroad companies receipts "shall be applied toward the construction, repair and maintenance of the public ways and places in which the tracks of such company are located, and to the removal of snow from such public ways and places within such cities and towns." (Acts of 1909, chapter 490, part III, sections 47-51.)

The Boston Elevated Railway Company is exempt until the year 1922 from the special taxation provision of the general street railway act above cited; but in lieu of the excise tax therein provided, it is required by chapter 500 of the Acts of 1897 to pay, in addition to the general street railway tax, an annual excise tax peculiar to itself as compensation for the special privileges granted it. The amount of this excise tax is determined by the amount of the annual dividends of the company in the following manner:—

"If the annual dividend paid is 6 per cent or less, or if no dividend is paid, the sum payable that year shall be a sum equal to $\frac{7}{8}$ of 1 per cent of the gross earnings of all the lines of elevated or surface railroads owned, leased, or operated by said corporation;

"If said dividend exceeds 6 per cent, then a sum equal to the excess of the dividends over 6 per cent in addition to said $\frac{7}{8}$ of 1 per cent of said gross earnings."

The excise tax paid by this company, however, instead of being assessed and collected by the local authorities, as is the case with the excise taxes levied upon other street railways, is paid by the company into the treasury of the Commonwealth in the first instance, and is thereupon apportioned by the Tax Commissioner and distributed among the different cities and towns "in proportion to the mileage of elevated and surface main track, reckoned as single track, which is owned, leased, or operated by said corporation and located therein."

2. *Minor Privileges.* A minor privilege is that enjoyed by an individual or a corporation in or upon a public highway, for which payment is exacted

¹ U. S. Bureau of the Census, Instructions to Clerks and Special Agents, 1908, p. 81.

by the municipality. It differs from a public service privilege in that the use of the streets, sidewalks, etc., thus granted is only *incidental* to the conduct of business, and not absolutely *essential* to it, as is the case with a public service privilege. Examples of revenue from the granting of minor privileges are payments to the city for the privilege of maintaining private sewers or drains under the streets; and fruit stands, market stalls, etc., on the sidewalk. Such privileges are not infrequently referred to as permits, but are not properly such in accordance with the special definition given that term (see pp. 10 and 14).

III. DEPARTMENTAL.

Departmental revenues are the incidental *earnings* of the various offices or departments into which the municipal service is or may be organized for the convenience of administering the several functions of local government which are essential to the protection of life and property and the development and maintenance of social efficiency. The functions of these departments being performed for all citizens alike, irrespective of the benefits which individuals may derive from them, the revenues which they attract to the municipal treasury are of an incidental character, likely to fluctuate, and to have little relation to the expense necessary to their maintenance. Hence it is not ordinarily anticipated or expected that these departments or services shall be self-supporting, though their aggregate receipts from services performed for, or material objects furnished to, individuals may sometimes be considerable.

It is of great importance that accountants and others interested in the application of a scheme of scientific classification to the accounts of our cities and towns keep constantly in mind the necessity of adhering strictly to the proposition that departmental receipts should include only the *earnings* of the department. By this is meant receipts of the department for compensation or reimbursement for a specific service performed for, or thing of value sold or furnished to, an individual. The fee which may be charged by a department in issuing a permit or license is not an earning of the department *unless it is accompanied by the performance of a service*; but if, in addition to exacting a fee for a permit, the city or town, through a department, renders some actual specific service, the amount received for the same is properly an earning of the department, and should be so treated. For example, the fee of \$1 charged for giving information relative to municipal liens on real estate, in accordance with the provisions of chapter 299 of the Acts of 1908, should be credited as a receipt of the collector's department which has in this manner rendered a specific service that should be paid for; but the payment of marriage license fees to a city or town clerk in no sense constitutes an earning of the clerk's department, and should not be credited as a receipt thereof, since the clerk in such case acts merely as an agent of the municipality in collecting one of its numerous items of revenue.

The division of municipal services performed through administrative departments which has been adopted by the United States Bureau of the Census, the Massachusetts Bureau of Statistics, and by other states which have taken up the work of systematizing municipal accounts, as the standard for a uniform classification of accounts for these several departments, is as follows: 1. *General Government*; 2. *Protection of Life and Property*; 3. *Health and Sanitation*; 4. *Highways and Bridges*; 5. *Charities*; 6. *Soldiers' Benefits*,¹ 7. *Education*; 8. *Libraries*; 9. *Recreation*; 10. *Unclassified*. This classification is so natural and logical that, in detail, it is, for the most part, self-defining and self-descriptive. Hence it is assumed, with respect to most of the subdivisions of each of these general titles, that no descriptive text is here necessary; but in cases where some explanation seems to be required, we have endeavored to supply it.

Receipts resulting from suits for damage brought by the municipality should manifestly, in all instances, be credited to a department rather than treated as a receipt under "Unclassified" (see p. 31). For example, if an electric car collides with a road machine on the highway, and the municipality obtains damages from the street railway corporation, and then uses the amount awarded in settlement for the purpose of repairing the damages on the road machine, such a receipt should clearly be treated as a receipt of the highway department, since it is properly regarded as an offset against the cost of repairing the damaged machine; but it does not follow that the cost to the municipality in maintaining the suit in such a case as this — the counsel and witness fees, etc. — is to be regarded as a highway expense, since it is conceivable that the street railway company might have acknowledged the claim of the municipality and paid the amount of the damages without necessitating the bringing of a suit or the incurring of any legal expense whatever. For the same reason, if the court's award is in the form of damages and costs, the amount of the costs paid by the corporation should be treated as a receipt of the law department; the costs, in other words, should *not* be added to the amount of the damage award, and damages and costs treated in a lump sum as a receipt of the highway department. (See also "Payments," p. 44.)

If, therefore, it is borne in mind that the legal services and expenses which generally accompany both the collection of damage claims against a municipality and the collection of damages by a municipality, are, in the last analysis, merely *incidental* thereto, and have no inherent connection whatever with the merits of the question at issue, the method of treating these cases and entering them on the schedule will generally be clear.

¹ An exception is made by the Massachusetts Bureau to the classification of Soldiers' Benefits by the U. S. Bureau of the Census, which treats expenditures for this purpose as a charity expense. While this is legitimate from the point of view of the Census Office, and may with propriety be followed in other states, our Massachusetts law distinctly forbids the treatment of veteran soldiers as charges upon public charity. Hence we prefer to classify receipts and payments for this purpose under an independent heading, rather than as a subdivision under "Charity."

1. *General Government.* The phrase "General Government" is used in a descriptive sense to include all those departments, boards, or commissions whose duties are clearly *general* in character, and relate to the performance of municipal functions which are *fundamental* in all constitutional forms of government, and not merely administrative. It embraces the executive and legislative departments, and the several departments of finance which have to do with the first principles of organized society, namely, the raising (through the assessors by means of the tax levy), the collection (through the collector of taxes), and the disbursing (through the treasurer) of revenue; and the conservation of corporate integrity through the auditor. It includes also the departments charged with the administration of that most fundamental of all government functions,—the conduct and supervision of elections. Finally, it includes the service involved in properly housing all of these.

The departmental subdivisions of general government in our classification scheme, therefore, are as follows:—

- A. Legislative.
 - a. Aldermen and council.
- B. Executive.
 - a. Mayor; board of control; selectmen.
- C. Financial.
 - a. Auditor and auditing.
 - b. Treasurer.
 - c. Collector.
 - d. Assessors.
 - e. Other finance offices and accounts.
- D. Other General Departments.
 - a. City or town clerk.
 - b. City messenger.
 - c. Law (see p. 44).
 - d. Election and registration.
 - e. License commissioners.
 - f. Public works.
 - g. Engineering.
 - h. Superintendent of buildings.
 - i. All other departments.
- E. Municipal Buildings.
 - a. City or town hall.

Several of these departments, since they have to do with the general administration of the municipality's purely executive business, and perform but few services for individuals for which a fee is charged as compensation, naturally have very few receipts to their credit. Receipts of the collector's and clerk's departments, from the rentals of municipal buildings *wholly* devoted to administrative purposes, or those portions thereof so devoted, and sales of old furniture, etc., from city or town halls, are perhaps the most important items of revenue from this source. But receipts from rentals are of several kinds, and vary as to classification in accordance with their character. Confusion may perhaps be avoided if a word of explanation is inserted at this point with respect to those receipts from rentals which are *not* properly to be credited as receipts under the head of "Municipal Buildings." Thus, receipts from the rental of rooms in buildings occupied by departments other than those of general government should be credited to those departments, since expenses for the care of such buildings are

properly chargeable to departments occupying them. At present we treat rent of vacant land, or abandoned buildings and buildings for which only a *nominal* sum is charged, as an *unclassified* receipt (see p. 31); but if a city or town has in its possession real estate not used for municipal purposes, and enjoys from the rental thereof a revenue which amounts to a *reasonable income* on the value of the property, the same is regarded as a miscellaneous "public service enterprise" (see p. 33). Receipts from the sale of old buildings on property purchased or condemned for streets, or with a view to the erection of public buildings, etc., should, in accordance with sound financial principles, be devoted to defraying the costs in connection with the construction of such improvements; such receipts, therefore, should not be treated as revenue, but as non-revenue receipts, being in the nature of *offsets to outlays* (see p. 34).

2. *Protection of Life and Property.*

A. Police Department.

- a. Sale of materials (cloth, equipment, etc.).
- b. Miscellaneous (receipts for specified purposes other than the above).

B. Fire Department.

- a. Sale of materials (horses, equipment, etc.).
- b. Miscellaneous (receipts for specified purposes other than the above).

C. Militia and Armories.

- a. Armories.
- b. Rifle ranges.

D. Inspection (fees and reimbursements received on account of the following, when the same are accompanied by the performance of a service by a department).

- a. Inspection of buildings.
- b. Inspection of wires.
- c. Sealing of weights and measures.

E. Forestry (see also "Payments," p. 50).

- a. Gypsy and brown tail moth extermination (reimbursements from the Commonwealth; incidental receipts from individuals, when not an assessment; sale of materials).
- b. Other insect pest extermination.
- c. Care of trees (incidental receipts from sale of materials, etc., chargeable to account of tree warden or forest warden).

F. Other Protection of Life and Property (among the receipts included under this heading are reimbursements on account of bounties paid; receipts on account of fire and police telegraph systems, when one system is maintained for both services, and it is impossible to segregate and distribute to the police and fire departments receipts which should be respectively credited to those departments when it is possible to do so).

3. *Health and Sanitation.*

A. Health.

- a. Quarantine and contagious disease hospitals (receipts for care of contagious disease cases, either in hospitals or private houses).
- b. Tuberculosis (reimbursements, sale of materials, supplies, etc.).
- c. Miscellaneous.
- d. Inspection (fees and reimbursements when the same are accompanied by the performance of a service).

B. Sanitation.

a. Sewers and sewage disposal (including receipts on account of house connections, so called, except those which have been paid for through a construction account; receipts from permits when accompanied by service performed; reimbursements; sale of materials, etc.).

b. Refuse and garbage disposal (including sale of swine, materials, etc.).

c. Street cleaning.

C. Other Health and Sanitation.**4. Highways and Bridges.**

a. Repairing.

b. Sidewalks and curbing.

c. Snow removal.

d. Sprinkling.

(1) Water.

(2) Other.

e. Lighting.

f. Miscellaneous.

5. Charities.

A. Almshouse (including receipts from city or town farm).

a. Sale of products (including agricultural produce, wood, etc.).

b. Miscellaneous.

B. Reimbursements (except on account of municipal general hospitals).

a. From individuals.

b. From other cities and towns.

c. From the State.

C. Municipal General Hospitals.

D. Miscellaneous.

6. Soldiers' Benefits.

There are four¹ forms in which Massachusetts municipalities, under specific authority of law (Revised Laws, chapter 79, sections 18 and 19, and Acts of 1909, chapter 468), may expend money for the benefit of veteran soldiers. With respect to three of these, the municipality is reimbursed for its expenditures wholly or in part by the Commonwealth. Strictly speaking, therefore, receipts on account of such reimbursements do not constitute departmental revenue, and should be eliminated entirely from a tabulation of revenue receipts; while the only amount shown as an expense of the municipality should be the net amount expended after deducting the amount of the reimbursement from the Commonwealth. In other words, the receipt and disbursement of that portion of these funds which is contributed by the Common-

¹ A fifth class, which may be termed "Soldiers' Aid," for the sake of differentiating it from the four specified in the text, is recognized by the law (Revised Laws, chapter 25, section 15), which provides that towns may appropriate money "for necessary aid to soldiers and sailors and their families, and to the families of the slain, and, by special vote, may entrust such amount or any part thereof to any post of the grand army of the republic in such town to be disbursed under its direction to any such persons residing therein," the financial officer of such post being required to annually return to the town an itemized statement under oath of amounts disbursed, and to exhibit his vouchers therefor to a committee of the town for examination. This law, however, is practically obsolete, the various other provisions of law for the benefit of soldiers being apparently deemed sufficient.

wealth, and constitutes neither revenue nor an expense of the municipality, ought logically to be treated as a temporary account.

But, while it is eminently desirable, as a general proposition, that revenues collected by municipalities for other civil divisions and reimbursements from other civil divisions for expenditures made by municipalities should be eliminated from a tabulation of municipal revenues and expenses, and treated as temporary transactions having no intrinsic relation to *municipal* finances, it must be conceded that it is not always possible to adhere strictly to this rule—the transactions relating to soldiers' benefits constitute an example of this practical statistical difficulty. It is desired to compile a complete statement of cash transactions during a given fiscal year, and a statement of the cash balance to the credit of the municipality at the close of the fiscal year. But, unfortunately for this purpose, the transactions in question are seldom completed within a fiscal year; that is to say, the amounts received from the Commonwealth as reimbursements for expenditures are not likely to be available until after the expiration of the year within which the expenditures were made and to meet which revenue had to be raised, in the first instance directly by the municipality; indeed, it may happen that several years will elapse before the accounts are finally settled. For this reason, reimbursements on account of Soldiers' Benefits cannot be eliminated from a tabulation of cash revenue receipts, although they are not, properly considered, revenue of the municipality.

Soldiers' Benefits are as follows:—

a. State Aid, so called, is paid to Massachusetts veteran soldiers or their widows or dependents and to army nurses, and is limited in amount to not more than \$6 per month when paid to a soldier, or \$4 when paid to a dependent or an army nurse. State aid is paid irrespective of the legal settlement of the beneficiary. The amounts thus expended by municipalities are *wholly reimbursed* by the Commonwealth; receipts on account of state aid, therefore, are the amounts of these reimbursements.

b. Military Aid, so called, is paid to Massachusetts veterans, dependents and army nurses being ineligible. The amounts expended by municipalities for veterans who have no settlement in the city or town but who have resided three years in Massachusetts and are entitled to military aid under the provisions of law are *wholly reimbursed* by the Commonwealth; *one-half* of the amounts expended for veterans who have a settlement in the city or town and who are otherwise eligible to military aid are reimbursed by the Commonwealth. Receipts on account of military aid, therefore, are the amounts of these reimbursements.

c. Soldiers' Burials. Municipalities are authorized to expend money for the burial of soldiers dying within their limits, irrespective of the settlement of the deceased, and irrespective of any benefit they may have received during life from state or military aid. Municipalities are *reimbursed* by the Commonwealth for expenses thus incurred *up to an amount not exceeding \$37* (including compensation of \$2 paid to the burial agent) for each burial; receipts on account of soldiers' burials, therefore, are the amounts of such reimbursements.

d. Soldiers' Relief, so called, may be given by a city or town to any soldier or his dependent, having a legal settlement therein,

irrespective of the state of his enlistment, and this expenditure may be in addition to amounts paid a beneficiary on account of state or military aid. There is no reimbursement by the Commonwealth under this provision, but a municipality receives *reimbursement from another municipality* on account of relief rendered a soldier having a settlement in the latter when an arrangement has been made, but a previous contract is a necessary condition to reimbursement; receipts on account of soldiers' relief, therefore, are the amounts of such reimbursements.

7. Education.

a. From the Commonwealth, for tuition and transportation of state wards. "For the tuition in the public schools in any city or town of a child between the ages of five and fifteen years who shall be placed elsewhere than in his own home by the State Board of Charity, or by the trustees of the Lyman and industrial schools, or kept under the control of either of said boards in said city or town, the Commonwealth shall pay to said city or town . . . 50 cents for each week of five days, or major part thereof, of attendance of every such child in the public schools. For the transportation to and from a public school of any child whose tuition is payable by the Commonwealth . . . the Commonwealth . . . shall pay to the city or town furnishing such transportation, for each week of five days or major part thereof, an amount equal to the average amount for each child paid by said city or town per week for the transportation of children to and from school over the route by which such child is conveyed." This provision, however, is not applicable to Boston, which is required to pay from its own treasury for the tuition and transportation of children placed out by its board of trustees for children. (Revised Laws, chapter 44, section 4.)

b. From other cities or towns and individuals, for tuition. "A town of less than 500 families or householders in which a public high school or a public school of corresponding grade is not maintained shall pay for the tuition of any child who resides in said town and who, with the previous approval of the school committee of his town, attends the high school of another town or city. . . . A town whose valuation is less than \$750,000 shall be entitled to receive from the treasury of the Commonwealth all necessary amounts, and a town whose valuation exceeds \$750,000, but whose number of families is less than 500, shall be entitled to receive . . . half of all necessary amounts which have actually been expended for high school tuition under the provisions of this section" . . . but if a town of less than 500 families maintains a high school of its own of the character specified by law, it shall be entitled to receive \$500 towards its support unless the valuation of the town averages a larger sum for each pupil than the corresponding average for the Commonwealth. (Revised Laws, chapter 42, section 3, as amended by the Acts of 1902, chapter 433; Acts of 1906, chapter 200; Acts of 1908, chapter 427.) "Any child, with the consent of the school committee of the city or town in which he resides, may attend, at the expense of said city or

town, the public schools of another city or town, upon such terms as may be satisfactory to the school committees of the cities or towns in interest." (Revised Laws, chapter 44, section 5.) The statute also makes this further provision: "If a child resides in a city or town other than that of the legal residence of his parent or guardian, and in the opinion of the school committee of the said city or town such residence is for the purpose of there attending school in preference to the place of the legal residence of his parent or guardian, the said city or town may recover from the parent or guardian for the tuition of said child, while there attending school, subject to appeal to the probate court an amount equal to the average expense of such school for each pupil during the preceding year, for a period equal to the time during which the child so attends, unless the city or town in which the parent or guardian resides is required by section three of chapter forty-two to pay for said tuition." (Revised Laws, chapter 44, section 4, as amended by the Acts of 1905, chapter 375.)

c. Sale of text books and supplies.

d. Miscellaneous.

8. Libraries.

a. Fines, rentals, and sales.

b. Miscellaneous.

9. *Recreation.* This section includes receipts from sale of old material, and for the use of real or personal property, including rooms in bathhouses, hire of bathing suits, boats, or boating privileges, etc.

A. Parks and Gardens.

B. Playgrounds and Gymnasias.

C. Bathhouses and Beaches.

D. Celebrations and Entertainments.

10. *Unclassified.*

This section includes receipts on account of damages to persons and personal property; settlements on account of defalcations, etc.; rents (see explanation under "General Government," p. 26); and all miscellaneous departmental receipts impossible to distribute or to properly assign to the several classifications definitely provided.

IV. PUBLIC SERVICE ENTERPRISES.

This classification includes those departments or offices of a municipality which are organized for the purpose of providing the public, or the public and the municipality, with some utility involving a special privilege in the highways or the use of other public property. The public utilities owned by municipalities in Massachusetts are those which pertain to the distribution, by means of plants or systems owned or operated by the municipality, of: 1. *Light, Heat, and Power*; 2. *Water*; 3. *All Other*.

1. *Light, Heat, and Power.* A city or town may, in accordance with law, "construct, purchase or lease, and maintain within its limits, one or more plants for the manufacture or distribution of gas or electricity for furnish-

ing light for municipal use, or light, heat or power, except for the operation of electric cars, for the use of its inhabitants. Such plants may include suitable land, structures and machinery and other apparatus and appliances for manufacturing, using and distributing gas or electricity for said purposes." (Revised Laws, chapter 34, as amended by the Acts of 1905, chapter 410, and Acts of 1906, chapter 411; and further amended by the Acts of 1908, chapter 486.)¹ Revenue receipts from light, heat, and power plants are classified as follows:—

- A. Electric.
 - a. Income from sale of light and power.
 - b. Miscellaneous.
- B. Gas.
 - a. Income from gas sold.
 - b. Sale of by-products (coke, tar, etc.).
 - c. Miscellaneous.

2. *Water.* "A town, by the action of its selectmen, ratified by a majority of its voters present and voting thereon, at a town meeting at which the voting list shall be used, may, for the purpose of supplying water to its inhabitants, purchase of any municipal or other corporation the right to take water from its sources of supply or from its pipes; or may purchase its whole water rights, estates, franchises and privileges, and thereby become entitled to all its rights and privileges and subject to all its duties and liabilities; or it may contract therewith for a supply of water." (Revised Laws, chapter 25, section 31.) A city may exercise the authority conferred upon a town by the foregoing provision only with "the consent of two-thirds of each branch of its city council, and of a majority of the voters voting thereon at a meeting called for that purpose, at which the voting list shall be used." (Revised Laws, chapter 26, section 5.) Revenue receipts on account of municipal water plants are as follows:—

- a. Income from sale of water.
- b. Miscellaneous.

3. *All Other.* Revenue receipts on account of various minor public service enterprises are as follows:—

- A. Rents from Markets.
- B. Fees for the Use of Public Scales.
- C. Rents from Docks and Wharves.
- D. Income from Ferries.
- E. Herring and Alewife Fisheries (when operated by a town in its corporate capacity as an industrial enterprise).

"A city or town may open ditches, sluiceways or canals into any pond within its limits for the introduction and propagation of

¹ At the present time (1909) 26 municipalities (23 towns and 3 cities) own and operate plants in accordance with the provisions of this law. Four of these, namely, the city of Holyoke and the towns of Middleborough, Wakefield, and Westfield, maintain plants supplying both gas and electricity. Of the remaining 22 municipalities, 8 (Ashburnham, Belmont, Groveland, Hingham, Norwood, Shrewsbury, Templeton, and Wellesley) maintain distributing plants only for electricity, purchasing their current from private corporations. Two cities (Chicopee and Taunton) and 12 towns (Braintree, Concord, Danvers, Hudson, Hull, Ipswich, Mansfield, Marblehead, Merrimac, North Attleborough, Peabody, Reading) maintain plants which both manufacture and distribute electricity. No municipality maintains a municipal plant for manufacturing or distributing gas exclusively. In addition to these plants owned by municipalities in their corporate capacity, the Miller's Falls Water Supply District, which comprises a portion of the town of Montague and a portion of the town of Erving, maintains a plant for the distribution of electricity within the limits of the district; and the Legislature of 1909 authorized the creation of an additional electric light district, comprising another portion of the town of Erving.

herring or alewives, and for the creation of fisheries for the same; and land for opening such ditches, sluiceways or canals within such city or town may be taken according to the provisions of law for the taking of land for highways.

"A city or town which creates such fishery shall own it, may make regulations concerning it and may lease it for not more than five years, upon such terms as may be agreed upon. A town may lease for a like period, and upon like terms, any fishery owned by it or any public fishery regulated and controlled by it." (Revised Laws, chapter 91, sections 34 and 35.)

F. Miscellaneous.

V. CEMETERIES.

The financial transactions in connection with cemeteries owned by municipalities are so analogous, in certain respects, to those pertaining to the management of municipal industries maintained for lighting and water supply purposes, that they are sometimes classified (for example, by the United States Bureau of the Census) as "Public Service Enterprises." Without undertaking to combat the theory on which they may be technically, with propriety, so regarded, it has seemed to the Massachusetts Bureau of Statistics that, in considering the essentially peculiar character of this service, we are justified in giving it an independent position in our classification scheme. We have, therefore, accorded to "Cemeteries" a place co-ordinate with the classification "Public Service Enterprises," instead of subordinate thereto.

The Massachusetts law relating to cemeteries is found in the Revised Laws, chapter 78, which should be carefully read in connection with chapters 109, 110, and 123. We quote here only the provisions covering the broad authority given by sections 10 and 16, respectively, of chapter 78. The former is as follows:—

"Each city and town shall provide one or more suitable places for the interment of persons dying within its limits."

Section 16, as amended by the Acts of 1909, chapter 279, reads as follows:—

"Towns may appropriate money for enclosing any cemetery provided by them according to law or for constructing paths and avenues and embellishing the grounds therein, and may establish all necessary rules relative thereto not repugnant to law. They may lay out such cemetery into lots, and shall set apart a suitable portion as a public burial place for the use of the inhabitants, free of charge. They may sell and convey to any persons, resident or non-resident, the exclusive right of burial and of erecting tombs and cenotaphs upon any lot and of ornamenting the same, upon such terms and conditions and subject to such regulations as they shall prescribe. The proceeds of such sales shall be paid into the town treasuries, be kept separate from other funds and be appropriated to reimburse the towns for the cost of the land, its care, improvement and embellishment, or the enlargement of the cemetery."

Receipts on account of cemeteries, which are to be treated as earnings, and therefore constitute commercial revenue, are as follows:—

- a. Sale of lots and graves.
 - b. Care of lots and graves (including fees and charges for interments, laying of foundations, etc.).
 - c. Miscellaneous.
- (For treatment of receipts from perpetual care funds, see "Agency, Trust, and Investment Transactions," p. 39.)

VI. ADMINISTRATION OF INVESTED FUNDS.

The term "Invested Funds" is held to include sinking, public trust, and investment funds. The only receipts are those in the nature of reimbursements for services and expenses.

VII. INTEREST.

A municipality receives revenue in the form of interest from numerous sources, as follows:¹—

- 1. *On Deposits.*
- 2. *On Deferred Taxes.*
- 3. *On Deferred Special Assessments.*
- 4. *On Sinking Funds.*
- 5. *On Investment Funds.*
- 6. *On Public Trust Funds* (all forms of income including income of funds invested in real estate).
 - A. Charity.
 - B. School.
 - C. Library.
 - D. Cemetery (perpetual care and other cemetery funds).
 - E. All Other.
- 7. *On Private Trust Funds.*
- 8. *Miscellaneous.*

Non-revenue Receipts.

Non-revenue receipts in the classification scheme of the Bureau of Statistics consist of receipts on account of: Offsets to Outlays; Municipal Indebtedness; Receipts from Sinking Funds; Agency, Trust, and Investment Transactions.

OFFSETS TO OUTLAYS.

The term "*Offsets to Outlays*" has been adopted as a more desirable expression than "capital receipts," formerly in ordinary use to denote receipts accruing from the sale of real property, reimbursements on construction work, and, in general, all receipts which are, or, in a proper

¹ It will be noted that no provision is here made for receipts of accrued interest, for the reason that such receipts are treated as refunds and eliminated before tabulation (since in most cases they are repaid in the current year) and therefore have no proper place in a classification of Interest.

system of municipal finance, should be, devoted to lessening the burden upon the taxpayer for the cost of permanent improvements and diminishing indebtedness. In this connection the Bureau of the Census may be quoted:—

In the beginning, like the words *outgo*, *outflow*, *payment*, and *disbursement*, "outlay" was a general term used in referring to amounts of cash paid, but gradually it has come to be employed only in speaking of the costs of permanent properties and improvements, and not in referring to the costs of operation and maintenance. At first, when used in this sense, it was generally combined with the word *capital*, in the term "capital outlay." The Bureau of the Census, however, following the usage of many city officials and accountants of Great Britain, now uses "outlay" without prefix to convey the meaning above mentioned. This usage has the advantage of providing a single word to designate the costs of permanent properties and improvements; while, further, it avoids the use of the word *capital* in the compound term with a meaning different from that ordinarily given to it by economists. If the usage adopted by the Bureau of the Census can be generally accepted, it will differentiate *outlay* as fully as *expense* has been differentiated in commercial accounting.¹

Provision is made on our schedule for entering all receipts which are in the nature of offsets to outlays in a column separate from that in which revenue receipts are to be entered, so that, in tabulation for publication, they may be classified according as they are credited to *Departments*, *Public Service Enterprises*, or *Cemeteries*. Among the specific examples of receipts which are treated as offsets to outlays are the following:—

Sale of real estate.

Sale of old buildings on property purchased or condemned for streets, public buildings, etc., and to be used for such, *except* in cases where the property has been purchased in anticipation of future needs not definitely contemplated at the time of purchase, thereby causing the investment to partake of the nature of an enterprise.

Insurance received on account of the destruction of municipal property.

Amounts received from the Commonwealth in payment for an armory when the same is taken over by the Commonwealth.

Reimbursements from the Commonwealth on account of state highway construction.

Reimbursements from individuals or corporations where the department includes the cost of the service in a construction account.

MUNICIPAL INDEBTEDNESS.

The general statutory authority for the incurring of debts by the cities and towns of Massachusetts is found in chapter 27 of the Revised Laws. This chapter (sections 3 and 4) limits the amount to which a *city* may become indebted to "two and one-half per cent on the average of the assessors' valuations of the taxable property therein for the three pre-

¹ U. S. Bureau of the Census, Special Report on the Statistics of Cities, 1906, pp. 9 and 10.

ceding years, the valuation of each year being first reduced by the amount of all abatements allowed thereon previous to the last day of December in the year preceding said assessment;" "a town shall not become indebted in an amount exceeding three per cent on the last preceding valuation, for the assessment of taxes, of the taxable property therein." Within the meaning of the law, the words "net indebtedness" include "the indebtedness of a county, city, town, or district, omitting debts created for supplying the inhabitants with water and other debts exempted from the operation of the law limiting their indebtedness, and deducting the amount of sinking funds available for the payment of the indebtedness included." (Revised Laws, chapter 8, section 5, clause 12.)

According to the Standard Dictionary, a debt is "that which one owes to another," or "the obligation resting upon one person to pay or perform something that is due to another." The simplest definition of a municipal debt is — any obligation, or, using the term in a broad, collective sense, all the obligations, which a municipality is bound at any given date to pay; and, practically speaking, it may be said that there is tangible, documentary evidence, in the form of bonds or notes bearing interest, of all municipal debts. Some of these debts are, to be sure, of a temporary character, such as money borrowed in anticipation of the payment of taxes, and if the transaction of borrowing and paying for the loan were uniformly completed within the fiscal year, it would be possible to treat such transactions as temporary accounts, which, in effect, they unquestionably are. But, inasmuch as temporary loans are frequently carried over from one fiscal year into another, and are, therefore, outstanding at the close of the year, it is impossible in a statistical tabulation to treat them as temporary transactions which have been completed. The statute which authorizes cities and towns to borrow money in anticipation of taxes (Revised Laws, chapter 27, section 6) requires that "such loans shall be payable within one year after the date of their incurrence," and the payment of such loans from sums freshly borrowed would seem to be a clear evasion of the spirit of the law.

There are numerous special acts authorizing municipalities to exclude debt for certain purposes in reckoning the debt limit; and debt incurred for the following is specifically excluded by general law: —

Water purposes (including water scrip issued by a town under special statutes for the indebtedness of a fire district).

Municipal lighting purposes, "to an amount not exceeding, in a town five per cent and, in a city, not exceeding two and one-half per cent of the last preceding valuation for the assessment of taxes, of the taxable property therein."

"Temporary loans in anticipation of the taxes of the municipal year in which such debts are incurred and expressly made payable therefrom. . . . Such loans shall be payable within one year after the date of their incurrence."

"Temporary loans for the payment of any land damages or any proportion of the general expense of altering a crossing which municipalities are required primarily to pay under the provisions of" certain sections of chapter 111.

Because of these numerous exemptions from the general limitation of indebtedness imposed by law, and especially those authorized by the Legislature from time to time in the case of individual cities and towns, it has become very difficult to ascertain the actual amount of the debt of many of our municipalities, since official debt statements are generally confined to presentations of figures showing only that portion of municipal indebtedness which has been incurred within the debt limit. But the fact that a debt may legally, or even by specific authority of law, be incurred outside the debt limit, so called, does not make it, on that account, any the less a *debt*. Because a debt is a debt, therefore, no matter by what name it may be called, and because the burden of indebtedness upon the taxpayer is just as heavy, whether it be laid within or without the debt limit, the Bureau of Statistics deems it desirable to include in its classification and tabulations of "Municipal Indebtedness" *all outstanding obligations* at the close of the fiscal year, irrespective of the length of time which the same may have to run; and also to include those forms of debt specifically excluded by the statute which purports to impose a limit upon indebtedness; and likewise to classify as debt the unpaid warrants or orders of the current year. These latter are, strictly speaking, temporary transactions, like temporary tax loans, but cannot, as a practical matter, be treated as such in tabulation; and, moreover, when they have been permitted to accumulate through a period of years, they become, in effect, a permanent obligation until paid. We, furthermore, believe that amounts taken from the principal of uninvested perpetual care or other trust funds and used, when no notes are issued or other evidence of indebtedness given, should be regarded as loans from the funds, and treated as liabilities. For this reason, and in order to ascertain the extent to which our cities and towns may be using or borrowing from the principal of trust funds and neglecting to treat the transaction as a liability, we have provided a special line on our schedule, under the heading of "Municipal Indebtedness," for entering these transactions.

Receipts on account of municipal indebtedness are therefore the gross amounts borrowed (or of the nature of 7 and 8 below) by the municipality, whether within or without the "debt limit," so called, on account of:—

1. *Temporary Loans* (including tax loans and loans in anticipation of bond issues).

2. *Loans for General Purposes* (i.e., all general departmental purposes except those classifiable under "Public Service Enterprises" or "Cemeteries").

3. *Trust Funds used.*

4. *Loans for Public Service Enterprises.*

5. *Loans for Cemeteries.*

6. *Bonds refunded during the Current Year.*

7. *Premiums (i.e., the amounts paid by purchasers of bonds in excess of their par value).* It is important that sums received for premiums should be accounted for separately, and special provision made by the municipality for their disposal. In many instances the receipts from this source amount to a considerable sum, and are treated by cities and towns as revenue that may legitimately be used for the payment of current expenses; but in a sound system of municipal finance, premiums should be paid into the sinking fund provided for the extinction of the debt on account of which a loan is issued. And we have no doubt that premiums received from the sale of a certain bond issue may sometimes be paid into the sinking fund of some other loan; but, while such disposition is, of course, illogical, it is much better than it would be to treat receipts from this source as cash available for current expenses.

8. *Unpaid Warrants or Orders of the Current Year.* Entries under this head do not constitute strictly a "receipt" of the municipality for the current year, using the term in a cash sense. They are, in fact, arbitrary entries that must be made under the heading "Municipal Indebtedness" on the debit side of the tabulation, in order to afford a proper offset to the treatment of warrants and orders issued but not paid during the current year.

RECEIPTS FROM SINKING FUNDS.

In a classification and tabulation of municipal finances, which assumes to take into consideration all cash transactions, account must be taken of amounts paid into the municipal treasury by sinking fund commissioners for the extinction of debt. Where bonds and notes are paid at maturity directly by sinking fund commissioners without passing through the municipal treasury, our schedule provides for treating the amount of the payment as a receipt from the sinking fund commissioners, and, on the payment side (see p. 62), as a payment of debt by the city from money received from sinking funds, — just as if it had been first paid by the commissioners to the treasurer. No further classification or subdivision of this general title is called for in this connection.

AGENCY, TRUST, AND INVESTMENT TRANSACTIONS.

In making entries on our schedule and in tabulating the same for our published reports, the elimination, as far as practicable, from the category of revenue receipts of all receipts which, being purely temporary accounts, are not in the nature of *municipal* revenue, is most desirable, in order to avoid the crediting as revenue of considerable sums which in no sense belong to the municipality. Nevertheless, since these sums pass through the treasurer's hands, and must, therefore, be accounted for on his books, in order to set forth a complete record of financial transactions and

to ascertain the cash balance, provision must be made on the schedule for these transactions. They are of three general classes: 1. *Agency*; 2. *Trust*; 3. *Investment*.

The former term is used to describe and to include all transactions in which the municipality acts as the agent of some other civil division (*e.g.*, the Commonwealth or the county) in the collection of revenue which does not in any sense belong to the municipality, but must, under the law, be turned over to another civil division for the uses of the latter. When, also, a municipality performs a material service for another civil division, as, for example, when it makes expenditures upon grade crossings for which it is reimbursed by the Commonwealth, it is acting as an agent, and receipts and payments on account thereof are agency transactions.

Non-revenue receipts falling under the category of trust funds consist of the principal of trust funds paid into the municipal treasury, with either the ultimate investment or expenditure thereof at some future date (pursuant to the conditions laid down by the donor), in view; and also funds which for various reasons are being retained in the municipal treasury, but which, since they are not the property of the municipality, the latter is in honor bound to keep inviolate, subject to the call of the owners.

Receipts from investment funds are amounts received from the disposal of securities held as an investment — for example, a sinking or investment fund holds bonds or real estate and turns them into cash.

The principal transactions as herein described are classified as follows: —

1. *Agency.*
 - A. Taxes.
 - a. State.
 - b. Non-resident bank.
 - c. County.
 - B. Liquor Licenses collected for the State.
 - C. Reimbursements for Abolition of Grade Crossings.
 - D. All Other.
2. *Trust.*
 - A. Perpetual Care Funds.
 - B. Other Permanent Public Trust Funds.
 - C. Income for Investment.
 - D. Private Trust Funds and Accounts.
 - a. Guarantee deposits.
 - b. Protested taxes and assessments.
 - c. Tailings.
 - d. All other.
3. *Investment.*
 - A. Sinking Fund Securities.
 - B. Investment Fund Securities.

TRANSFERS.

The so-called departmental transfers (*i.e.*, where one department does work for another) and transfers from one appropriation to another do not represent the *actual receipt or expenditure of cash*; therefore we do not consider them as departmental receipts or payments, and for this reason have decided to eliminate them from departmental accounts and treat them separately on our schedule, so that before tabulating for publication they may be deducted and only the actual cash transactions shown.

PAYMENTS.

It being impossible, for the reasons already given (see p. 4), to classify payments into grand divisions corresponding to those into which receipts are grouped, we have simply the following divisions:— Maintenance; Interest; Outlays; Municipal Indebtedness; Payments to Sinking Funds; Agency, Trust, and Investment Transactions.

MAINTENANCE.

It is desirable to differentiate clearly between the three principal classes of current charges against revenue, namely: those which embrace the cost of *maintenance* only, or what is popularly termed. "running expenses;" expenses for annual *interest* charges; and those amounts necessary to meet annual *debt requirements*. But in treating these separately we do not group them in our summary table of payments as subordinate to a general classification, bearing the title of "current charges against revenue." We purposely avoid the use of this term as a subdivision of payments, because it seems desirable that all payments to sinking funds, whether from revenue or *contributed from some non-revenue source*, should be shown together; and this could not be done if payments to sinking funds from revenue were to be grouped elsewhere as a part of the current charges, without involving a duplication in the same table. The *recapitulation*, however, as already explained (see p. 4), affords the opportunity desired for grouping together all current charges against revenue.

Payments for maintenance, therefore, within the meaning of our classification, are expenditures for the current, ordinary running expenses of the municipality, and are classified as follows:—

- I. DEPARTMENTAL.
- II. PUBLIC SERVICE ENTERPRISES.
- III. CEMETERIES.
- IV. ADMINISTRATION OF INVESTED FUNDS.

Each of these is further subdivided according to the general fundamental classifications common to both Receipts and Payments, which have been duly described and explained in connection with our text treatment of Receipts on preceding pages. The detail of each subdivision of Payments, to the extent that provision has been made on our schedule for entries covering specified items, together with such explanatory statements as seem desirable, follows:—

I. DEPARTMENTAL.

1. General Government.

A. Legislative.

a. Aldermen and council.

(1) Salaries and wages (including clerk of committees, clerk of council, moderator of town meetings, and all other clerical expenses in connection with the legislative branch of the government).

(2) Other expenses (including traveling and other expenses of committees of city or town government; investigations by committees in towns when ordered by the town meeting, including expenses of committees on town affairs, finance, and warrant committees; also, in cities, expenses of investigations ordered by the council or aldermen; printing, stationery, telephone rental, and carriage hire, when the same are *legislative* expenses, and are not properly chargeable to a department).

B. Executive.

a. Mayor; board of control; selectmen.

(1) Salaries and wages (including services of secretaries, clerks, stenographers, messengers, and all other persons immediately connected with executive offices. That portion of the cost of perambulating town boundaries which takes the form of remuneration to the selectmen for services performed is treated as selectmen's salaries).

(2) Other expenses (including traveling expenses of mayor, board of control, selectmen, or attachés, and expenses incurred for vehicle hire, etc.; the cost of printing, stationery, telephone rental, posting warrants, expenses incident to the inauguration of the mayor or ceremony at which he delivers an address to the city government at the opening of the municipal year; expenses of auditing in cities in connection with investigations of departments made under the direction of the mayor for his own information; expenses incurred by the selectmen in the perambulation of town boundaries. But expenditures for boundary stones, labor of setting up the same or other supplies in connection therewith, should be separated, if possible, from expenditures for the remuneration and personal expenses of the selectmen, and are treated by us at the present time under the heading "Unclassified." See p. 61).

C. Financial.

a. Auditor and auditing.

(1) Salaries and wages.

(2) Other expenses (including premium on official bond, printing, stationery, telephone rental, and office supplies). Expenses of auditing incurred by the employment of expert accountants or others not regularly in the employ of the city or town, while not an expense of the auditor's office, are expenditures for an auditing purpose, and they are, therefore, most conveniently, as well as logically, grouped with the

expenses of the auditor; but the expense of expert accountants engaged primarily for the purpose of establishing a uniform system of accounts, whose labors do not, strictly speaking, involve what is ordinarily known as auditing, is treated on our schedule as an unclassified payment. (See also "Other Expenses" of the legislative and executive departments, p. 42.)

b. Treasurer.

(1) Salaries and wages.

(2) Other expenses (including premium on official bond, printing, stationery, telephone rental, and other office expenses).

c. Collector.

(1) Salaries and wages (including fees paid special collectors).

(2) Other expenses (including premium on official bond, printing, advertising, stationery, telephone rental, and other office expenses).

d. Assessors.

(1) Salaries and wages.

(2) Other expenses (including printing, stationery, telephone rental, expenses for assessors' books, maps, "block system," and other office expenses).

e. Other finance offices and accounts (including expenses of finance commissions, printing and certifying to bonds, and other incidental expenses in connection with bond issue).

D. Other General Departments.

a. City or town clerk.

(1) Salaries and wages. Cities and towns are required to pay the following fees to the city or town clerk, upon his presenting to the city or town treasurer a certificate of the receipt of the prescribed copies by the secretary of the Commonwealth:

For each marriage, 20 cents;

For each birth, 50 cents;

For each death returned to him by an undertaker or the board of health, 20 cents;

For each death not so returned but obtained and recorded by him, 50 cents.

He shall also receive *from the city or town* the following fees:

For each certificate transmitted under the provisions of Revised Laws, chapter 29, section 13, 25 cents;

For receiving and recording an affidavit and forwarding a copy thereof, under the provisions of Revised Laws, chapter 29, section 14, 50 cents;

For sending the notice required by Revised Laws, chapter 29, section 24, 25 cents;

For each oath administered in his capacity as clerk, 25 cents.

The above fees are paid to the city or town clerk as remuneration for clerical services performed for the municipality

in connection with keeping the records thereof required by law. With respect to marriages, such a fee should not be confused with any fee which the clerk may receive from contracting parties to a marriage for the issuance of a marriage permit or license. Where the latter is a personal perquisite of the clerk, it is not a financial transaction of the municipality; but when the fee for the issuance of a certificate is turned over to the city or town treasurer, it is a revenue receipt from a permit (see p. 14).

A city, or a town containing more than 10,000 inhabitants, may limit the aggregate compensation allowed to its clerk. (Revised Laws, chapter 29, section 27.)

(2) Other expenses (including premium on official bond, printing, stationery, telephone rental, and other office expenses).

b. City messenger.

(1) Salaries and wages.

(2) Other expenses.

c. Law.

(1) Salaries and wages (including remuneration of city or town solicitors, or attorney's fees where there is no solicitor, and counsel fees incurred in the enforcement of the liquor law when these can be separately determined).

(2) Other expenses (including all incidental office expenses, exclusive of rent, of a city or town solicitor). Expenses of defending or prosecuting law suits by cities and towns, such as witness fees, bills for stenographers, typewriting, and other incidentals, should be charged as expenditures for law purposes, and entered on our schedule under this heading. But payments for damages to persons and personal property rendered against a municipality should be treated as such, and entered under the heading "Unclassified." The amount entered as a payment on account of damages should, therefore, be confined to the amount actually paid as damages, and should *not* include any portion of the legal expenses in connection with the suit. Where the municipality sues and recovers damages, the case should be similarly treated, the amount of the damages received being entered separately under "Unclassified" and not treated as a receipt on account of "Law," under "General Government," though it may properly, in certain instances, as noted below, be charged up as a departmental receipt. But in case a municipality is awarded a certain sum for damages and costs, the latter, if it is possible to separate the two, should be entered separately as a Law receipt under "General Government."

The question frequently arises as to whether, when a municipality is required to pay both damages and the costs of the suit, including counsel and witness fees, these latter should be added to the amount of the damage awarded, and the whole be treated as a damage expense. There are two reasons why this should not be done. First, it is desirable to show the total expense to which the municipality is annually put for legal

expenses on all accounts, and this makes it necessary to separate the cost of maintaining law suits from the amount of the damage awarded. Second, the latter is not, strictly speaking, a legal expense. That the damage payment itself cannot properly be regarded as a legal expense is clear when we stop to consider that a claim for damages against a municipality may be admitted and paid without a protest, and without any expense whatever being incurred. Similarly, when a municipality wins a suit brought against it, and is not required to pay any damages, the expense to which it may be put in defending the same should not be entered on the schedule as a damage payment. It is obvious, therefore, that the cost to the municipality of maintaining damage suits, whether brought by or against the municipality, and whether there is an award of damages or not, should be treated as a general government legal expense, incurred in the ordinary conduct of municipal affairs.

It occasionally happens that suit is brought against a constable or police officer for false arrest, or because of some other act committed during the performance of what the official believed to be his official duty, and in defending such suit he is put to personal expense, for which he is subsequently reimbursed by the city or town. In other words, the municipality, in effect, assumes the financial responsibility for the suit, as it would be obliged to do if the suit had been brought against the municipality as such, instead of against the officer individually. Such an expenditure is clearly a legal expense of the city or town.

d. Election and registration.

(1) Salaries and wages (including the amounts paid for remuneration of registrars of voters, tellers, precinct officers, or others in charge of polling places and performing clerical service in the counting of votes at elections and caucuses; also janitors' services and other labor, cost of cleaning booths and polling places. See also "Police," p. 47).

(2) Other expenses (including all expenses for repairs, etc., on voting booths).

e. License commissioners.

(1) Salaries and wages.

(2) Other expenses.

f. Public works. Some cities of Massachusetts have a board of public works, which combines various functions ordinarily administered through different departments. It is important, therefore, for purposes of comparability, and of locating expenditures according to the purpose for which they are made, that all payments charged to appropriations for boards of public works be segregated and distributed, as far as possible, among the several different municipal services administered by such boards. Where, for example, the board of public works has supervision over the sewerage system and the water system, all payments for the maintenance of the former should be treated as an expense on account of "Sanitation," and should be entered under that heading, and not

in this place as an expense for the maintenance of public works, so called; and, similarly, payments on account of the maintenance of a water system are to be regarded as an expense on account of "Water," under the heading "Public Service Enterprises" (see p. 61). Where the accounts of boards of public works are not kept in such a manner as to permit of such a segregation and distribution of expenses, expenditures are accounted for under the heading "Unclassified;" but it is obvious that just to the extent that it is necessary thus to conceal the specific purpose for which the expenditure is made, will it be impossible for the citizen to ascertain what each service administered by such a board is actually costing.

(1) Salaries and wages. In accordance with the explanation just made, this entry should include only the salaries and wages of members of the board and its office attachés. The salaries and wages of superintendents, laborers, or other employees should be distributed and charged to the cost of maintaining the particular branch of the service in which they are engaged.

(2) Other expenses (including only the office expenses of the board, exclusive of amounts paid for rent and care of office, which is in the nature of janitor service, these latter being properly chargeable to the account of "Municipal Buildings." See below).

g. Engineering. Engineering expenses should be charged in every case possible to the department on behalf of which the expense is incurred; that is to say, payments for engineering work relating to highways should be entered under "Highways." The same rule applies to payments on account of engineering for parks, sewers, etc. Only payments on account of engineering which cannot be thus distributed, including expenses for the maintenance of the engineer's office and salary of the engineer, when his duties are distributed through the various departments, should, therefore, be treated under this heading.

(1) Salaries and wages.

(2) Other expenses.

h. Superintendent of buildings.

(1) Salaries and wages.

(2) Other expenses.

i. All other departments. This designation is intended to provide for all expenditures, including salaries and expenses, of miscellaneous minor departments not specified above; *e.g.*, expenses on account of civil service certifications; the examination of plumbers; town veterinary, etc.

E. Municipal Buildings (all expenses of city or town halls. Expenses properly chargeable to this account include rent, care and maintenance of *administrative buildings only*, or those offices reported above under the title "General Government." The expense of municipal buildings occupied by two or more departments other than general government offices should be apportioned to those departments; but where this cannot be done with a reasonable degree of accuracy, the expense may be treated under this heading. Expenses of buildings not used for

municipal purposes, where rent charged for the same is only a nominal sum, should be treated as "Unclassified," — see p. 61; but those buildings producing an income which is a reasonable per cent of the valuation of the property occupied are properly to be regarded as an enterprise, and payments for the maintenance of the same should be treated as "Public Service Enterprises." See p. 61; also "Receipts," p. 33, line "F").

2. *Protection of Life and Property.*

A. Police Department.

a. Salaries and wages (including police commissioners, chief of police or city marshal, assistant marshal, lieutenants, sergeants, inspectors, detectives, regular patrolmen, special and reserve officers, janitors, matrons, keepers of lockups, and constables when performing police duty). Payments to police officers, whether regular or special, for services in connection with the general maintenance of law, including service at the polls, should be accounted for under this heading; but incidental expenses (*e.g.*, carriage hire in connection with the delivery and return of election or caucus records and ballots, and, in Boston, listing expenses) are to be regarded as an *election* expense. Other payments to police officers for services which should not properly be charged to the police department are those for special services in the sanitary department, which should be charged to expenses on account of "Sanitation;" also services of policemen, so called, whose duties are solely in connection with parks, the expense of maintaining whom should be charged as a park expense, except when the powers and duties of these officers are identical with those of other general police officers, when they should be treated as a police expense.

b. Horses and care of same (including purchase of horses, horse hire, board of horses, all kinds of feed and bedding, veterinary services and medicines, horseshoeing, etc.).

c. Fuel and light (including the cost of carting coal and sawing wood).

d. Equipment and repairs (including personal equipment of men, apparatus and repairs on same; also police telegraph apparatus).

e. Repairs on buildings (including carpentry, plumbing, painting, glazing, repairs to heating apparatus, etc., labor, stock and labor).

f. Pensions.

g. Other expenses (including expenditures for the enforcement of the liquor law, except amounts paid for counsel fees, which should be deducted, when possible, and treated as an expense under Law, — see p. 44, — the purpose of the payment being indicated; expenses in connection with the installation or maintenance of a Bertillon system; the transportation of prisoners, medical attendance for prisoners, photographs, traveling expenses of officers when engaged on strictly police duties, freight, express, insurance, office supplies, printing, stationery, advertising, telephone charges, supplies not specified; all expenses of station houses and lockups [except such as are otherwise chargeable in accordance with th

above classifications], including furniture and furnishings and food furnished prisoners; and all other payments which cannot be segregated and properly distributed among the above classifications).

B. Fire Department.

a. Salaries and wages (including chief, assistant chief, chief's driver, board of engineers, permanent and call men, janitors, stewards, and miscellaneous salaries in connection with fire houses).

"Enginemen or members of the fire department who have done duty as such for one year preceding the first day of May in any year, shall receive from the town a sum equal to the poll tax paid by or for them, and such further compensation as the town determines.

"The chief engineer or other officer who holds the first office in a fire department, and the foreman or director of each company in a place where no fire department is established by law, shall annually on or before the first day of May make out and certify to the assessors of their respective places a list of all persons in their department or companies who during the preceding year have performed all the duties therein required by law. The assessors shall within ten days thereafter examine such lists and certify to the treasurers of their respective places the amount to be paid to each person named therein. Such treasurers shall, after deducting all taxes due from the persons so named, pay the amount so certified to them, or, if minors, to their parents, masters, or guardians; and upon refusal of the treasurer to pay any sums so certified and returned, the person entitled may recover such amount in an action of contract.

"If such chief engineer or other officer wilfully refuses to make such certificate, he shall forfeit for each person whose name ought to have been so certified not more than five dollars, to the use of such person, or on complaint to the use of the city or town; and if such engineer or other officer makes a false certificate in such case, he shall forfeit not less than twenty nor more than fifty dollars.

"The provisions of the three preceding sections shall be in force only in those cities and towns which adopt the same by vote of their city council or at their annual town meeting, or which have so adopted the corresponding provisions of earlier laws. If such adoption is revoked by the city council or by the town at an annual meeting, said provisions shall cease to be in force therein." (Revised Laws, chapter 32, sections 33-36.)

b. Horses and care of same (same as police department, — see p. 47).

c. Fuel and light (same as police department, — see p. 47).

d. Hydrant service (including payments to water department or water company).

e. Equipment and repairs (including repairs on engines and other apparatus, and purchase of or repairs on fire extinguishers, hose, harnesses, ladders, lanterns, fire nets, axes; fire alarm apparatus; also purchase and repairs of personal equipment of men).

f. Repairs on buildings (same as police department,— see p. 47).

g. Pensions.

h. Other expenses (including premiums on insurance of *fire department property only*, freight and express charges, office supplies, printing, stationery, advertising, telephone charges, salt, furniture and furnishings for fire houses, and all other payments which cannot be segregated and properly distributed among the above classifications).

C. Militia and Armories (including payments on account of rent, maintenance, etc., of armories and rifle ranges).

D. Inspection. Though a segregation of salaries from the other expenses of inspection services may be ultimately desirable, such a division is not sufficiently important to be attempted, in view of its impracticability, at the present time. There are three classes of inspection properly classified under the heading "Protection of Life and Property":—

a. Inspection of buildings. This is the service performed by the municipality through inspectors paid by it for the inspection of buildings, in accordance with the provisions of Revised Laws, chapter 104 (or amendments thereto), section 1 of which is as follows: "Every city, except Boston, and every town which accepts the provisions of this section or has accepted the corresponding provisions of earlier laws may, for the prevention of fire and the preservation of life, by ordinances or by-laws not inconsistent with law and applicable throughout the whole or any defined part of its territory, regulate the inspection, materials, construction, alteration and use of buildings and other structures within its limits, except such as are owned or occupied by the United States or by the Commonwealth and except bridges, quays and wharves, and may prescribe penalties not exceeding one hundred dollars for each violation of such ordinances or by-laws."

Expenses on account of inspection of buildings should not be confused with expenses incurred for a superintendent of public buildings, who may have incidental duties as an inspector, such expenses being general government expenses (see p. 46). We appreciate, however, that by the provisions of section 4 of the act just quoted, the mayor and aldermen of cities and selectmen of towns accepting the provisions of the law may designate the superintendent of buildings to be inspector of buildings. When the two functions are performed by one official and supported from one appropriation, or if these officials are separate persons supported from one appropriation, and it is impossible to make a proper segregation of expenses, the entire cost would probably better be treated as an expense of general government, rather than as an inspection charge. Whenever possible to ascertain the amount of expense properly chargeable to these functions separately, however, this should be done, and the amounts distributed accordingly.

b. Inspection of wires. "A city shall, by ordinance, designate or provide for the appointment of an inspector of wires, and any town may, at an annual town meeting, instruct its selectmen to appoint such an inspector. Such inspector shall supervise every

wire over or under streets or buildings in such city or town and every wire within a building which is designed to carry an electric light, heat or power current, shall notify the person or corporation owning or operating any such wire whenever its attachments, insulation, supports or appliances are improper or unsafe, or whenever the tags or marks thereof are insufficient or illegible, shall, at the expense of the city or town, remove every wire the use of which has been abandoned and every wire which is not tagged or marked as hereinbefore required, and shall see that all laws and regulations relative to wires are strictly enforced. A city or town may recover in an action of contract of the person or corporation owning any wire so removed the expense which it has incurred for the removal thereof." (Revised Laws, chapter 122, section 18.)

In cases where the inspector of wires and the superintendent of fire alarm are one and the same official, and it is impossible to separate expenses in connection with inspection of wires which have no intrinsic relation with a fire alarm system, as should be done, the entire expense is treated by this Bureau as a payment on account of the maintenance of the fire department, for the reason that it is probable that most of this expense is on account of the maintenance of a fire alarm system.

c. Sealing of weights and measures.

E. Forestry.

a. Gypsy and brown tail moth extermination. The law authorizing and requiring the suppression of the gypsy and brown tail moths is found in chapter 263 of the Acts of 1909, which provides that the state forester shall have charge of the work. The law regulating this work is found in the Acts of 1907, chapter 521:—

"Cities and towns by such public officer or board as they shall designate or appoint, shall, under the advice and general direction of said superintendent, destroy the eggs, caterpillars, pupae and nests of the gypsy and brown tail moths within their limits, except in parks and other property under the control of the Commonwealth, and except in private property, save as otherwise provided herein. When any city or town shall have expended within its limits city or town funds to an amount in excess of \$5,000 in any one fiscal year, in suppressing gypsy or brown tail moths, the Commonwealth shall reimburse such city or town to the extent of 50 per cent of such excess above said \$5,000.

"Cities or towns, where one twenty-fifth of one per cent of the assessed valuation of real and personal property is less than \$5,000, and where the assessed valuation of real and personal property is greater than \$6,000,000, shall be reimbursed by the Commonwealth to the extent of 80 per cent of the amount expended by such cities or towns of city or town funds in suppressing the gypsy and brown tail moths in any one fiscal year, in excess of said one twenty-fifth of one per cent.

"In the case of towns where the assessed valuation of real and personal property is less than \$6,000,000, after they have expended in any one fiscal year town funds to an amount

equal to one twenty-fifth of one per cent of their assessed valuation of real and personal property, the Commonwealth shall expend within the limits of such towns, for the purpose of suppressing the gypsy and brown tail moths, such an amount in addition as the superintendent with the advice and consent of the governor shall recommend. The Commonwealth shall reimburse cities and towns every 60 days according to the provisions of this act.

"No city or town shall be entitled to any reimbursement from the Commonwealth until it has submitted to the auditor of the Commonwealth itemized accounts and vouchers showing the definite amount expended by it for the purpose of this act; nor shall any money be paid out of the treasury of the Commonwealth to cities or towns, pursuant to the provisions of this act, until said vouchers and accounts have been approved by the superintendent and the auditor of the Commonwealth.

"For the purposes of this section, the valuation of the previous year shall be taken as a basis. The fiscal year for 1907 and for all succeeding years shall close on November 30."

Payments on account of moth extermination include services, labor, materials, etc., whether or not any portion of the same is reimbursed.

b. Other insect pest extermination (including extermination of insect pests other than gypsy and brown tail moths).

c. Care of trees. By the provisions of the Acts of 1907, chapter 560, section 362, every town, at its annual meeting, is required to choose a "tree warden." "The tree warden may appoint and remove deputy tree wardens. He and they shall receive such compensation as the town determines or, in default thereof, as the selectmen allow. He shall have the care and control of all public shade trees in the town, except those in public parks or open places under the jurisdiction of the park commissioners, and of those, if so requested in writing by the park commissioners, and shall enforce all the provisions of law for the preservation of such trees. He shall expend all money appropriated for the setting out and maintenance of such trees, but no trees shall be planted within the limits of a public way without the approval of the tree warden, and until a location therefor has been obtained from the selectmen, or from the road commissioners where authority has been invested in them. Regulations for the care and preservation of public shade trees made by him, approved by the selectmen and posted in two or more public places, imposing fines and forfeitures of not more than \$20 in any one case, shall have the force and effect of town by-laws. All shade trees within the limits of a public way shall be public shade trees." (Revised Laws, chapter 53, section 12, as amended by Acts of 1908, chapter 296, section 2.)

"The mayor and aldermen in cities and the selectmen in towns shall annually, in March or April, appoint a forest warden, and they shall forthwith give notice of such appointment to the state forester. . . . Nothing in this act or in any other act shall be construed to prevent the offices of tree warden, selectman, chief of fire department and forest warden from being held by the

same person." (Revised Laws, chapter 32, section 16, as amended by Acts of 1907, chapter 475, section 1.) "The forest warden shall take precautions to prevent the spread of forest fires and the improper kindling thereof and shall have sole charge of their extinguishment. . . . The engineers of fire departments in cities and in towns in which a fire department exists and which have so voted shall perform the duties and exercise the powers of forest wardens with respect to forest fires." (Acts of 1907, chapter 475, section 2.) "The officials designated as 'firewards' or 'forest firewards' in chapter thirty-two of the Revised Laws shall hereafter be called 'forest wardens'." (Acts of 1907, chapter 475, section 5.)

Payments on account of care of trees include all payments for services of tree warden, forest warden, labor, materials, etc.

F. Other Protection of Life and Property.

a. Bounties, so called. By a provision of Revised Laws, chapter 25, section 15, towns are authorized to appropriate money "for encouraging the destruction of noxious animals."

b. Fish wardens. The mayor and aldermen of cities and selectmen of towns bordering on the Connecticut or Merrimac¹ rivers are required by law (Revised Laws, chapter 91, sections 54 and 55) to appoint and fix the compensation of one or more fish wardens within their respective cities and towns, whose duties are to make complaint of all offences under certain provisions of the law. A city or town whose mayor and aldermen or selectmen neglect to comply with this act shall forfeit not less than \$100 nor more than \$500. In the town of Edgartown fish wardens are chosen at the annual town meeting or any meeting called for the purpose. (Acts of 1904, chapter 319.)

c. Police telegraph and fire alarm (only when it is impossible to separate payments on account of each and distribute them respectively as expenses of the police and fire departments).

d. Sea walls. When expenditures for the maintenance of sea walls are for the purpose of protecting private property from damage by the sea, payments on such account are classified here. But if such walls have been constructed primarily for the purpose of fortifying the highways, the cost of maintenance should be charged to "Highways" (see p. 56).

e. All other (including dog officers, pound keepers, and maintenance of pound).

3. Health and Sanitation.

A. Health.

a. General administration (including salaries of members of the board of health, clerical services, and all office expenses).

b. Quarantine and contagious disease hospitals (including expenses of quarantine, whether in private houses or in connection

¹ The cities and towns affected by this provision are (those bordering on the Merrimac River): Merrimac, Tyngsborough, Chelmsford, Lowell, Tewksbury, Dracut, Methuen, Andover, Lawrence, North Andover, Haverhill, Groveland, West Newbury, Amesbury, Newburyport, Salisbury, Newbury, and Boxford; and (those bordering on the Connecticut River) Northfield, Gill, Montague, Greenfield, Deerfield, Sunderland, Whately, Hadley, Hatfield, South Hadley, Northampton, Easthampton, Holyoke, Chicopee, West Springfield, Springfield, Agawam, and Longmeadow.

with commitment to contagious disease hospitals, *with the exception of Pasteur Institute charges*, which are properly chargeable to "Other expenses," — see below).

c. Tuberculosis. The commanding interest to which measures for the prevention and relief of tuberculosis have attained in the public mind, and the disposition of some municipalities to make expenditures for this purpose, have made it seem desirable to provide a special line for such expenditures in our classification of payments on account of public health. In cases, therefore, where expenditures for tuberculosis can be segregated from other payments for public health purposes, this should be done, rather than include the expense with quarantine and contagious disease hospitals.

d. Vital statistics (including payments made to physicians and undertakers for returning certificates of births and deaths to city or town clerks. Where the fees paid to city and town clerks for recording and returning certificates to the Secretary of the Commonwealth cannot be segregated from the fees paid to physicians and undertakers, we feel justified in including the whole amount as an expense on account of public health).

e. Other expenses (including expenses of transportation and maintenance of patients at the New York Pasteur Institute, services of bacteriologists, examination of cultures, charges for vaccination, fumigation, disinfectants, laboratory expenses, and expenses on account of sanitary inspectors).

f. Inspection.

(1) Inspection of school children. The Legislature of 1906 passed an act (chapter 502) requiring the school committee of every city or town in the Commonwealth to appoint one or more school physicians, but with the proviso "that in cities wherein the board of health is already maintaining or shall hereafter maintain substantially such medical inspection as this act requires, the board of health shall appoint and assign the school physician." Since the duties of this class of officials, as prescribed by law, consist in the examination of school children with the broad purpose in view of conserving the public health, it would seem to be obvious that they are engaged in administering a health rather than an educational function *per se*. The cost of inspection of school children should, therefore, be treated as a health expense, notwithstanding the expense may be paid from a school appropriation.

(2) Inspection of animals. "The mayor and aldermen in cities, except Boston, and the selectmen in towns shall annually, in March, subject to the approval of the board of cattle commissioners,¹ appoint one or more inspectors of animals, and before the first day of April shall send to said board the name, address and occupation of each qualified inspector. They may remove any inspector, and shall thereupon immediately appoint another in his place and send notice thereof to said board." (Revised Laws, chapter 90, section 12.) Municipalities refusing or neglecting to comply with this law are

¹ The Board of Cattle Commissioners was abolished by the Acts of 1902, chapter 116, and its powers and duties transferred to a newly created Cattle Bureau of the State Board of Agriculture.

subject to a forfeit of not more than \$500. Section 14 of the act quoted further provides that an inspector of animals "shall receive a reasonable compensation from the city or town for which he is appointed. If he is appointed by the board of cattle commissioners, his compensation shall be fixed by said board, shall not exceed \$500 a year, and shall be paid by the city or town for which he is appointed. In towns having a valuation of less than \$2,500,000, one-half of such compensation, not exceeding \$250 for each inspector in any one year, shall be paid by the Commonwealth." "In all cities, at least one of the inspectors of animals appointed under the provisions of section 12 of chapter 90 of the Revised Laws shall be a registered veterinary surgeon." (Acts of 1908, chapter 378.)

(3) Inspection of meat and provisions. "Boards of health of cities and towns, by themselves, their officers, or agents, may inspect the carcasses of all slaughtered animals and all meat, fish, vegetables, produce, fruit or provisions of any kind found in their cities or towns, and for such purpose may enter any building, enclosure or other place in which such carcasses or articles are stored, kept or exposed for sale. If, on such inspection, it is found that such carcasses or articles are tainted, diseased, corrupted, decayed, unwholesome or, from any cause, unfit for food, the board of health shall seize the same and cause it or them to be destroyed forthwith or disposed of otherwise than for food. All money received by the board of health for property disposed of as aforesaid shall, after deducting the expenses of said seizure, be paid to the owner of such property. If the board of health seizes or condemns any such carcass or meat for the reason that it is affected with a contagious disease, it shall immediately give notice to the board of cattle commissioners of the name of the owner or person in whose possession it was found, the nature of the disease and the disposition made of said meat or carcass." (Revised Laws, chapter 56, section 70, as amended by the Acts of 1908, chapter 411.)

(4) Inspection of milk and vinegar. "The boards of health of cities shall, and boards of health of towns or the selectmen acting as such boards, may, appoint one or more inspectors of milk for their respective cities and towns . . . Their compensation shall be determined by the boards of health in cities, and by the selectmen in towns appointing them. (Acts of 1909, chapter 405.) The sale of vinegar is regulated by the provisions of chapter 57, sections 66-69, inclusive, the latter section stipulating that "inspectors of milk shall cause the provisions of the three preceding sections to be enforced."

B. Sanitation.

a. Sewer maintenance and operation (including the cost of maintaining surface drains and catch-basins, and repairs on same; also charges for engineering, when the same is not a proper charge against construction).

b. Metropolitan sewer maintenance. In order that our tabulations of statistics for cities within and without the several metropolitan districts may be comparable, we separate each of the three assessments levied by the Commonwealth for metropolitan purposes into their three component parts, — maintenance, interest, and sinking fund requirements, — classifying each as if it were a separate charge against the municipal treasury for the purpose specified. In this connection, therefore, we take account only of that portion of the metropolitan sewer assessment for the cities and towns in the metropolitan sewerage district which is levied by the Commonwealth for strictly *maintenance* purposes.

c. Refuse and garbage disposal (including payments on account of rent of "dump," the collection of ashes and offal, maintenance of incinerator plants, and burying of dead animals).

d. Street cleaning (including labor, purchase of brooms and other supplies, repairs to sweepers, etc.).

C. Other Health and Sanitation.

a. Care of sanitariums and public convenience stations.

b. Care of brooks and streams.

c. Draining of ponds.

4. *Highways and Bridges.*

a. General administration (including salaries of board of street commissioners, superintendent of streets, road commissioner, surveyor of highways, and office expenses).

b. Repairing (including maintenance and repairs of bridges, street paving repairs, resurfacing streets, repairs on apparatus, repairs on state highways; expenses in connection with city stables when the same are maintained chiefly for the benefit of the street department. But when city stables are maintained for the benefit of various departments, the use of them by the street department being merely incidental, the expense should be distributed, if possible, among the several departments; if this cannot be done, the total payment should be treated as "Unclassified," rather than be arbitrarily treated in bulk as a charge of the street department).

It will be observed that payments for repairs of state highways, for which cities or towns are reimbursed by the Commonwealth for expenditures in excess of \$50 a mile, are included here. (Revised Laws, chapter 47, sections 15 and 16.) While the Commonwealth constructs state highways in the first instance free of all expense to the city or town, the city or town is assessed up to \$50 a mile for the expense to which the State is put in *maintaining* these highways unless relieved from payment by the Highway Commission. (Acts of 1909, chapter 454.) This transaction may take one of two forms: (1) by contract between the State Highway Commission and the town; (2) by contract between the State Highway Commission and a private contractor.

(1) If a city or town enters into a contract with the State Highway Commission to maintain these highways for the Commonwealth, the city or town in the performance of this contract acts as an agent of the Commonwealth. The whole cost in such a case is paid, in the first instance, by the municipality,

the sums expended for labor and supplies appearing on their books, as they should on our schedule, as a part of the municipality's expenses for repairs on state highways; but in performing its contract to maintain these highways for the State, the city or town is reimbursed by the State for such amount as may be expended under authority of the Highway Commission in excess of \$50 per mile, and this reimbursement should appear as a receipt on account of "Repairing" under "Highways" on our schedule (see p. 28).

(2) If the State Highway Commission, instead of contracting with the city or town to maintain the state highway, contracts with a private party to do the work, or pays the bills for labor and supplies directly from its own appropriation, the amount expended up to \$50 a mile becomes an assessment by the State upon the municipality. This amount is the so-called state highway tax and should appear on the payment side of our schedule as an expenditure for repairs on state highways.

Payments for temporary necessary repairs on state highways for which there is no reimbursement by the State should be accounted for under this heading, the same as if the expenditure were made on town highways. (Revised Laws, chapter 47, section 14.) Under this heading, also, should be entered any expense on account of payments to the State Highway Commission for the use of road machines furnished by the commission for use in repairing town ways in towns of not more than 12,000 inhabitants. (Revised Laws, chapter 47, section 19.)

Salaries and office expenses in connection with street repairing should be treated as an expense of general administration, and included in the same.

Only the payments for work done on the highways should be charged to the highway department; when this department does work for other city departments, the expense of the same should be charged to the department for which the work is performed.

c. Sidewalks and curbing (including repairs only).

d. Snow removal (including labor, repairs on snow plows, supplies, etc.). Cost of snow removal should be separated and kept distinct from street repairing accounts. Expenses incurred for the removal of snow and ice from state highways should also be accounted for under this heading, the same as if the expenditure were made on town highways. (Revised Laws, chapter 47, section 14.)

e. Sprinkling (including labor, repairs on apparatus, etc., and supplies, a distinction being drawn wherever possible between the cost of sprinkling by the use of water and other liquid, *e.g.*, oil, tarvia, etc.).

f. Lighting (including labor, oil for and repairs on street lamps; supplies, etc.; and where lighting is done by contract, the amount paid the contractor).

g. Other expenses.

(1) Town pump.

(2) Signs, guide boards, and street numbering.

(3) Sea walls (when for the purpose of fortifying a highway; see also p. 52).

5. *Charities.*

- a. General administration (including salary and expenses of overseers and all office expenses).
- b. Almshouse or town farm.
- c. Outside relief in city or town (including all expenses of the poor of the municipality who are not in the almshouse; burial of paupers; also salary of the city or town physician).
- d. Relief given by other cities or towns.
- e. Hospitals.
 - (1) Municipal general.
 - (2) Private or quasi-public.
- f. Other expenses.

6. *Soldiers' Benefits* (see "Receipts," p. 28).

- a. General administration (including services and expenses of soldiers' relief commissioner, state aid agent, or other official remunerated from the municipal treasury for his services in disbursing soldiers' benefits).
- b. State Aid (including total cash payments for same, irrespective of reimbursements by the Commonwealth).
- c. Military Aid (including total cash payments for same, irrespective of reimbursements by the Commonwealth).
- d. Soldiers' Burials (including total cash payments for same, irrespective of reimbursements by the Commonwealth).
- e. Soldiers' Relief (including total cash payments for same, irrespective of reimbursements from other cities or towns, the amount of the expense of administration being deducted and charged to the latter as indicated above).

7. *Education.*

- a. General expenses.
 - (1) Administrative salaries (including school committee, superintendent, and assistant superintendent).
 - (2) Other general salaries (including truant officer, clerk, or secretary).
 - (3) Other general expenses (including cost of printing, advertising, stationery, telephone, and other office supplies, and cost of taking school census).
- b. Teachers' salaries. It is desirable that teachers' salaries as well as all other expenses of maintaining high schools, elementary schools, evening schools, kindergartens, manual training schools, or vacation schools be segregated; but *it is impossible, in the present condition of school accounts*, to classify school expenses in such a manner as to obtain an accurate figure which will show expenditures separately for the various kinds of schools which may be maintained. The final form of this section of our schedule must, therefore, await reform in school committee accounting methods.
- c. Text books and supplies (including cost of all supplies for teachers and pupils; *e.g.*, crayons, books, globes, maps, etc., and supplies for manual training, cooking, and sewing classes).
- d. Tuition (including payments to other municipalities by a city or town for tuition of its pupils. See "Receipts," p. 30).

e. Transportation. Charges for the transportation and tuition of pupils are frequently combined and shown in one figure only in town reports, but the two amounts should be separated and a proper account kept of each.

f. Support of truants. The county commissioners of each county, except the counties of Barnstable, Berkshire, Franklin, Hampshire, Dukes County, and Nantucket, are required to maintain, either separately, or jointly with the commissioners of other counties, "in a suitable place, not at or near a penal institution, a truant school for the instruction and training of children committed thereto as habitual truants, absentees or school offenders. . . . The county commissioners of the counties of Barnstable, Berkshire, Franklin, Hampshire, Dukes County and Nantucket shall assign a truant school established by law as the place for the instruction and training of children committed within their respective counties as habitual truants, absentees or school offenders, and shall pay for their support in said school such reasonable sum as the county commissioners having control of said school may determine. For the purposes of this chapter the parental school of the city of Boston shall be deemed the county truant school of the county of Suffolk, and commitments from the towns of Revere and Winthrop and the city of Chelsea shall be made to the truant school for the county of Middlesex. The city or town from which an habitual truant, absentee or school offender is committed to a county truant school shall pay to the county within which it is located \$1 a week towards his support; but the towns of Revere and Winthrop and the city of Chelsea shall pay to the county of Middlesex, for the support of each child committed to the truant school of said county, \$2.50 a week, and such additional sums for each child as shall cover the actual cost of maintenance." (Revised Laws, chapter 46, section 1, as amended by the Acts of 1902, chapter 256.)

g. Janitors' services (including charges for extra services).

h. Fuel and light (including cost of carting coal and sawing wood).

i. Maintenance of buildings and grounds (including cost of labor, labor and materials, plumbing, painting, glazing, repairs on heating apparatus, electrical bell systems, and janitors' supplies).

j. Furniture and furnishings (desks, chairs, window shades, etc.).

k. Rent.

l. Other expenses (including all costs of graduation, premiums on the insurance of school property, expressage, teaming, etc.).

8. Libraries.

In some municipalities the financial transactions reported in official documents include merely an entry indicating the amount of such appropriation as may be made by the city or town for library purposes, no proper account being rendered of receipts and expenditures on account of funds administered by trustees. But if the library is owned by the city or town, all accounts should be reconciled, and receipts, expenditures, and balances reported so that the exact amount of the total expenditures for the maintenance of the library may be ascertained, whether the source of the revenue which supports the institution is taxation or private bequest, or both.

a. Salaries and wages.

b. Books, periodicals, etc. (including cost of new books purchased, subscriptions to newspapers and periodicals, membership fees, so called, which are paid to associations in lieu of subscriptions to publications. The first purchase of books for a new library upon its establishment is to be regarded as a part of its equipment, and therefore to be classified as an outlay).

c. Binding. This line is provided on our schedule for the purpose of encouraging a separation of charges for binding periodicals or old books from payments for the purchase of new ones.

d. Art and musical collections (including photographs or pictures in collections, records for musical instruments, etc.).

e. Fuel and light.

f. Buildings (repairs only).

g. Other expenses (including expressage, teams and "autos" for branch library service, printing, stationery or other office supplies, telephone charges, insurance premiums, assessments for membership in librarians' associations, and expenses in connection with attendance at conventions of the same).

9. Recreation.

A. General Administration.

a. Salaries and wages (including salaries of commissioners, and superintendent of parks or public grounds when such official serves in lieu of a board of commissioners).

b. Other expenses.

B. Parks and Gardens.

a. Salaries and wages (including remuneration of park police, when their duties are practically confined to an enforcement of park regulations as distinct from the general maintenance of law and order. See "Salaries" under "Police," p. 47).

b. Metropolitan park maintenance (*i.e.*, that portion only of the assessment levied by the Commonwealth for metropolitan park purposes which is for *maintenance*).

c. Other expenses (including care of monuments, statues, etc., in parks or squares).

C. Playgrounds and Gymnasias (including expenses on account of playgrounds which may be maintained by the school department, provided such expenditures can be properly segregated and charged to this account).

a. Salaries and wages.

b. Other expenses (including repairs on and replacements of gymnastic apparatus).

D. Bathhouses and Beaches.

a. Salaries and wages.

b. Other expenses.

E. Celebrations and Entertainments.

a. Memorial Day.

b. Fourth of July.

c. Labor Day.

d. Band concerts.

e. All other (including care of flag staff and flag, expenditures for lecture courses, concerts, etc.).

10. *Unclassified.*

This section of the classification of departmental expenses seems to be necessary, first, in order that provision may be made for taking account of certain expenses occasionally incurred by cities and towns for purposes which cannot properly be made a charge against any particular department or municipal function; and, second, because certain expenditures which, in a complete scientific system of accounting, should be distributed among departments, cannot, because of defective methods of accounting, be so distributed at the present time either by local officials who are called upon to make out our schedule, or by the Bureau itself, except at too great a cost of time and labor. We cannot in this connection, however, state with too great emphasis that *payments to be entered under the heading "Unclassified" on our schedule are not intended to be synonymous with so-called "contingent" or "miscellaneous" expenses.* Most of the unclassified payments are susceptible of classification and proper distribution among departments, if municipal accounts are kept properly; but where conditions are such that a proper distribution cannot be made at the present time, we believe that the difficulty can best be solved temporarily by treating such expenditures under the heading "Unclassified," rather than, on the one hand, to attempt a segregation and distribution which would, admittedly, be a mere guess; or, on the other hand, to arbitrarily charge a department with a lump sum when we know that only a portion of the amount can properly be so charged.

Whenever a blanket fire insurance policy is issued, the premiums on the amounts placed on the buildings of the different departments should be ascertained and distributed among them on the basis of the valuation of the buildings. Only where it is impossible to make such a distribution of insurance cost should the amount of premiums paid be entered under "Unclassified."

Another class of items which it is frequently necessary to treat as an unclassified payment, and solely because existing methods of making appropriations and keeping accounts leave no other course open, is included in the term "Printing and Stationery;" but whenever possible, payments for this purpose should invariably be distributed among the departments against which they are properly a charge. "Printing and Stationery" is held to include ink, pencils, desk supplies, stamped envelopes, postage stamps, and also advertising, since it is impracticable (at least, in the present condition of municipal accounting) to segregate expenditures which are solely for advertising from other printing bills; expenditures for advertising are, moreover, in the same category as printing, since there cannot be advertising without printing. It is merely a matter of expediency whether the advertising takes the form of an advertisement in a newspaper, or a poster or placard; and the cost of the latter would naturally, and almost necessarily, be charged to printing. Moreover, it would probably be a practical impossibility, and not enough would be gained by it to make the attempt, to separate charges for printing posters, which are in reality advertisements, from charges for other forms of job printing, such as letterheads, etc., which, in turn, run into stationery, just as stationery, when it takes the form of stamped envelopes, runs into postage.

Among other expenses found more or less frequently in our cities

and towns, which must for the present be treated as unclassified, may be mentioned expenditures on account of: damages to persons and personal property; loss by defalcation; labor and supplies in connection with the perambulation of town boundaries, except amounts paid to selectmen for services rendered and their personal expenses (see "Executive," p. 42); city or town stables (when not known to be a highway charge, or when the expense of maintenance cannot be distributed to other departments); searching parties; maintenance of buildings owned by the municipality, but not used for municipal purposes (see "Municipal Buildings," p. 47); expert accountant, in connection with the installation of a system of accounting (including books, forms, etc.); ice for drinking fountains; care of city and town clocks; special (but not school) censuses, etc.

II. PUBLIC SERVICE ENTERPRISES.

1. *Light, Heat, and Power.*

A. Electric.

a. Maintenance and operation (including cost of administration and other expenses).

B. Gas.

a. Maintenance and operation (including cost of administration and other expenses).

2. *Water.*

a. Maintenance and operation of local plant (including cost of administration and other expenses).

b. Metropolitan water maintenance (*i.e.*, that portion only of the assessment levied by the Commonwealth for metropolitan water purposes which is for *maintenance*).

3. *All Other.*

A. Markets.

B. Public Scales.

C. Docks and Wharves.

D. Ferries.

E. Herring and Alewife Fisheries.

F. Miscellaneous.

III. CEMETERIES.

All expenditures for cemetery purposes should be classified either as "Maintenance" or "Improvements." Payments on account of the latter should be treated as "Outlays." (See p. 62.)

IV. ADMINISTRATION OF INVESTED FUNDS.

Under this head account is to be taken of all expenses of invested funds, namely, — those involved in the management of sinking, investment, and public trust funds, *e.g.*, salaries of treasurers or secretaries, box rent, printing, stationery, and repairs on buildings which are a part

of the principal of the fund. Expenditures for printing and certifying to bonds are not included here, but should be entered under "Other finance offices and accounts." (See p. 43.)

INTEREST.

1. *On Temporary Loans (including tax loans).*
2. *On Loans for General Purposes.*
3. *On Public Trust Funds used.*
4. *On Loans for Public Service Enterprises.*
5. *On Loans for Cemeteries.*
6. *Metropolitan Interest Requirements.*
 - A. Sewer.
 - B. Park.
 - C. Water.
7. *State Assessment for Interest on Account of Abolition of Grade Crossings.*
8. *All Other.*

OUTLAYS.

For the definition of "Outlays," see "Receipts," p. 35. Payments on account of outlays are classified similarly to payments for maintenance, the three general subdivisions being I. Departmental; II. Public Service Enterprises; III. Cemeteries; each, in turn, being subdivided similarly to maintenance. Payments for outlays include, for each department or service, expenditures for any work of construction or public improvement which increases the visible assets of the municipality. The line of demarcation is admittedly often exceedingly difficult to draw, especially with relation to the purchase of supplies and materials; generally, however, any supply which is subjected to such usage that it has to be renewed annually, or as often as once in two or three years, may be regarded as a charge against maintenance; but if it may be reasonable to suppose that an article bought will last for several years, the cost of the same may properly be regarded as an outlay. Replacements of buildings damaged by fire or otherwise are chargeable to outlays, as are also additions to buildings or so-called repairs which are sufficiently extensive to admit of their being fairly regarded as new construction. In general, any expenditures which permit the city or town to increase the actual amount of service performed for its citizens are properly to be classified as outlays.

MUNICIPAL INDEBTEDNESS.

1. *Temporary Loans (including tax loans).*
2. *Bonds and Notes from Sinking Funds.* The fact that bonds and notes may be paid directly by sinking fund commissioners without passing through the hands of the city or town treasurer, and therefore constitute a transaction which would not show on his books, is immaterial from the

point of view of this presentation, which seeks to take into account all of the financial transactions of the municipality. Payment of debt by sinking fund commissioners should, therefore, be accounted for under this heading. (See also "*Receipts from Sinking Funds*," p. 38.)

- A. General.
 - a. Sewer.
 - b. Highway.
 - c. School.
 - d. Parks and playgrounds.
 - e. All other.
 - B. Public Service Enterprises.
 - a. Light, heat, and power.
 - b. Water.
 - c. All other.
 - C. Cemeteries.
3. *Bonds and Notes from Revenue.*
- A. General.
 - a. Sewer.
 - b. Highway.
 - c. School.
 - d. Parks and playgrounds.
 - e. All other.
 - B. Public Service Enterprises.
 - a. Light, heat, and power.
 - b. Water.
 - c. All other.
 - C. Cemeteries.
4. *Metropolitan Sinking Fund Requirements* (i.e., that portion only of the assessments levied by the Commonwealth on the metropolitan park, sewer, and water districts, respectively, which is for the purpose of meeting the Commonwealth's sinking fund requirements on these accounts).
- A. Sewer.
 - B. Park.
 - C. Water.
5. *State Assessment for Abolition of Grade Crossings Loan Fund.*
6. *Bonds refunded, Current Year.*
7. *Warrants or Orders of Previous Years.*

PAYMENTS TO SINKING FUNDS.

Under this heading should be included all payments to sinking fund commissioners for debt requirements, and these are not only properly, but necessarily, classified according to the source of the receipt, viz.: —

- 1. *From Revenue* (i.e., money raised by taxation and earnings of Public Service Enterprises for sinking fund requirements).
- 2. *Premiums on Municipal Bonds sold* (see also "*Receipts*," p. 38).
- 3. *Sale of Real Estate, etc., when paid into the Sinking Fund.*

AGENCY, TRUST, AND INVESTMENT TRANSACTIONS.¹1. *Agency.*

A. Taxes.

a. State.

b. Non-resident bank.

c. County.

B. Liquor Licenses remitted to the State.

C. Expenditures on Account of Abolition of Grade Crossings.

D. All Other.

2. *Trust.*

A. Perpetual Care Funds.

B. Other Permanent Public Trust Funds.

C. Income Invested.

D. Private Trust Funds and Accounts.

a. Return of guarantee deposits.

b. Return of protested taxes and assessments.

c. Tailings.

d. All other.

3. *Investment.*

A. Sinking Fund Securities.

B. Investment Fund Securities.

TRANSFERS.

For explanation of "Transfers" see p. 40.

¹ See "Receipts," p. 38.

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PUBLICATIONS OF THE BUREAU OF STATISTICS.

This bureau now issues four separate annual reports relating respectively to:

The Statistics of Labor (Pub. Doc. 15).

The Statistics of Manufactures (Pub. Doc. 36).

The Comparative Financial Statistics of Massachusetts Cities and Towns (Pub. Doc. 79).

The State Free Employment Offices (Pub. Doc. 80).

Besides these annual publications the Bureau issues "The Labor Bulletin" at intervals during the year. It also publishes the Decennial Census of the Commonwealth; this work for 1905 is to be completed in four volumes aggregating about 2,500 pages.

Current or back numbers of reports or publications listed below will be mailed upon the receipt of the amount indicated or will be sent by express at the charge of the applicant.

I. REPORT ON THE STATISTICS OF LABOR.

(ISSUED ANNUALLY.)

Publication began in 1870 but all volumes previous to 1887 (except 1879) are out of print; also the reports for the years 1890, 1895, 1902, and 1904. The volumes which remain in print are listed below, the figures in parentheses indicating the amount necessary to cover the cost of mailing.

1879 (10 c.); 1887 (12 c.); 1888 (10 c.);	1900 (25 c.); 1901 (12 c.); 1902 (15 c.);
1889 (20 c.); 1891 (20 c.); 1892 (15 c.);	1903 (20 c.); 1906 (20 c.); 1907 (20 c.)
1893 (15 c.); 1894 (12 c.); 1896 (15 c.);	1908 (12 c.).
1897 (15 c.); 1898 (20 c.); 1899 (10 c.);	

II. REPORT ON THE STATISTICS OF MANUFACTURES.

(ISSUED ANNUALLY.)

Publication began in 1886. The reports for 1904, 1905, and 1906 were issued as parts of the annual report on the *Statistics of Labor*, but, beginning with the year 1907, it was restored to the Public Document series and issued as a separate report.

The volumes are nearly all in print and are noted below, the figures in parentheses indicating the amount necessary to cover the cost of mailing.

1886-7 (7 c.); 1888 (9 c.); 1889 (11 c.);	(paper bound only—5 c.); 1905 (paper
1890 (13 c.); 1891 (11 c.); 1892 (16 c.);	bound only—5 c.); 1906 (paper bound only
1893 (14 c.); 1894 (12 c.); 1895 (15 c.);	—5 c.); 1907 (6 c.); 1908 (7 c.).
1896 (10 c.); 1897 (10 c.); 1898 (15 c.),	The reports for the years 1907 and 1908
contains also a historical review on the	can be supplied in paper edition; the cost
Textile Industries in Massachusetts; 1899	of mailing each being 5 cents.
(10 c.); 1900 (9 c.); 1902 (8 c.); 1904	

(Continued on page 4 of cover.)

(Continued from Page 3 of Cover.)

III. REPORT ON THE COMPARATIVE FINANCIAL STATISTICS OF CITIES AND TOWNS.

(ISSUED ANNUALLY.)

Containing: Tabular presentations showing the Cost of Municipal Government in Massachusetts; Summarized Statement of All Receipts and Payments for the 354 Cities and Towns of the Commonwealth; Tabular Presentation of Municipal Indebtedness Compared with Assessors' Valuations; Statement of the Public Debt (itemized according to purpose of creation) and of the Sinking Funds for the 354 Cities and Towns of the Commonwealth; together with Analysis Tables and a Glossary of Classifications and Terms intended to promote uniformity in accounting and presentation of municipal reports.

The first annual report on the Comparative Financial Statistics of Massachusetts Cities and Towns for the financial year ending between November 30, 1906, and

April 1, 1907, is issued in paper and cloth. The paper edition will be mailed on receipt of **11 cents** to cover cost of mailing.

IV. REPORT ON THE FREE EMPLOYMENT OFFICES.

(ISSUED ANNUALLY.)

Free employment offices are maintained under the jurisdiction of this Bureau in Boston, Springfield, and Fall River.

The annual reports contain numerous statistical tables and descriptive matter

relative to the work of the offices, and will be sent on receipt of **5 cents** each to cover the cost of mailing. The reports are issued in January of each year, the first one covering the year ending Nov. 30, 1907.

V. THE LABOR BULLETIN.

The Bulletin contains a large variety of interesting and pertinent matter to the Social and Industrial Condition of the Workingman, Summaries of Court Decisions affecting labor, etc. Some of the leading articles in recent issues are enumerated below. We can supply copies of Numbers 10, 11, 14, 15, 17, 21, 22, 24, 25, 27, 29 to 33, 39 to 51, 53 to 56, 60, 62 to 68, 70, and 71. They will be forwarded upon receipt of **5 cents** each to cover the cost of mailing.

No. 57, February, 1908. The Unemployment Situation in Massachusetts—Recent Cases under the Canadian Industrial Disputes Investigation Act.

No. 58, March-April, 1908. Labor Legislation in the United States, 1907—Massachusetts Labor Legislation, 1907—Legal Hours of Labor in the United States—Comparative Surveys of Labor Legislation.

No. 60, June-July, 1908. Labor Legislation in Massachusetts, 1908—Index of Bills Relating to Labor Acted upon at the Legislative Session of 1908—The Reduction in Wages in Fall River—The Building Trades Department of the American Federation of Labor—Magazine Articles on Labor Topics, 1907.

No. 62, January, 1909. The State of Employment in the Organized Industries—Recent Decisions of Massachusetts Courts—Recent Foreign Labor Legislation.

No. 63, April, 1909. Carroll D. Wright: A Memorial—The State of Employment in the Organized Industries, December 31,

1908—Immigrant Aliens Destined for Massachusetts, 1899-1908—Employers' Associations, 1909—Labor Legislation in the United States, 1908.

No. 64, May, 1909. The State of Employment in the Organized Industries, March 31, 1909.

No. 65, July, 1909. The Relief of Tuberculosis in the Industries of Massachusetts.

No. 66, August, 1909. The State of Employment in the Organized Industries, June 30, 1909.

No. 67, September, 1909. Labor Laws of Massachusetts.

No. 68, October, 1909. Directory of Labor Organizations in Massachusetts, 1909.

No. 70, December, 1909. Labor Injunctions in Massachusetts.

No. 71, February, 1910. The State of Employment in the Organized Industries, December 31, 1909.

VI. THE DECENNIAL CENSUS.

The Decennial Census of the Commonwealth for 1905 is published complete in four volumes and is distributed by the Secretary of the Commonwealth, to whom application must be made.

Vol. I. POPULATION AND SOCIAL STATISTICS; 981 pages. (Now ready.) It will be sent on receipt of **25 cents** to prepay carriage.

Vol. II. OCCUPATIONS AND THE DELINQUENT AND DELINQUENT CLASSES; about 600 pages. It will be sent on receipt

of **25 cents** to prepay carriage. (In preparation.)

Vol. III. MANUFACTURES AND TRADE; 362 pages. (Now out of print.)

Vol. IV. AGRICULTURE, FISHERIES, AND COMMERCE; 328 pages. (Now ready.) It will be sent on receipt of **25 cents** to prepay carriage.

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